

FINANCIAL TIMES



Economic discipline

Will central banks throw it away?

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Tangled issues

Nations and statehood

Edward Mortimer, Page 8



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The world's biggest clean-up

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Penang

Troubled times on 'silicon island'

Page 5

World Business Newspaper <http://www.ft.com> WEDNESDAY AUGUST 14 1996

De Beers bullish on Russia's place in diamond cartel

De Beers, the South African diamond producer which controls about 50 per cent of the world diamond market, was confident on the prospects of finalising an agreement to secure Russia's participation in the Central Selling Organisation, the diamond cartel. Managing director Gary Raffe dismissed speculation that the leakage of Russian diamonds, estimated to be worth \$40m-\$60m this year, posed a threat to the CSO. Page 11; Lex, Page 10

Germany seeks Priebe's extradition

Bonn asked Italy to extradite former SS captain Erich Priebe, 83, (left) to stand trial in Germany for alleged war crimes after an Italian tribunal freed him. The Italian military tribunal found him guilty of involvement in the 1944 massacre of 335 men and boys in Rome's Ardeatine Caves, but said it was unable to punish him because the statute of limitations on the crime had run out.

Volkswagen doubles first-half profits: German carmaker Volkswagen more than doubled first-half net profits to DM282m (\$190.5m) and delivered a record of almost 2m vehicles. Page 11; Lex, Page 10

Thyssen fraud probe extended: A further 14 executives at Thyssen were being investigated yesterday for alleged fraud. Ten executives of the German steel and engineering group were arrested last week. Page 2

More cash for Credit Lyonnais rescue: The French government said it planned a second recapitalisation of the state-backed company created as part of the rescue package for Credit Lyonnais. Page 10

US consumer prices rise: US consumer prices rose 0.3 per cent in July, ahead of most forecasts, suggesting inflationary forces are not entirely dormant. Page 3

Mania seeks Apec unity: The Philippines is to press the Asia Pacific Economic Co-operation Forum to agree a common line on competition policy before the World Trade Organisation's ministerial meeting in December. Page 4

Suharto promotes son-in-law again: President Suharto promoted his son-in-law for the second time in eight months, fuelling speculation that he is being groomed to succeed the ageing Indonesian leader. Page 10

South Africa acts against militants: South African police moved against members of the militant Muslim organisation People Against Gangsterism and Drugs in Cape Town following threats of more violence and suggestions of international involvement. Page 4

Karachi mobile phone ban to go: Pakistan is to lift a ban on the use of mobile phones in Karachi, the country's commercial capital, imposed last year for security reasons. Page 10

Fraud check delays banking licences: The Thai cabinet said three new domestic banking licences could not be awarded until an investigation was completed into allegations that the successful bidders paid bribes. Page 5

Malaysia presses Burma's Asean bid: Malaysia said Burma should be given full membership of the Association of South East Asian Nations next year. Page 5

Car demand 'to double' in east Europe: Demand for new cars is expected to double in east Europe and the former Soviet Union over 10 years, a study shows. Page 4

Former British ambassador to UN dies: Sir Anthony Parsons, Britain's former ambassador to the United Nations and to Iran, has died aged 73. He played a central role in talks over the Falkland conflict and became a special adviser to the then prime minister Margaret Thatcher.

Death of Portugal's first president: Marshal Antnio de Spnola, who became Portugal's first president after the 1974 revolution, died in Lisbon. He was 86. **Obituary, Page 2**

FT.com: The FT web site provides online news, content and analysis at <http://www.ft.com>

STOCK MARKET INDICES		GOLD	
New York Composite	1,027.81 (+27.37)	New York	328.2 (293.4)
Dow Jones Ind. Ave.	1,027.81 (+27.37)	London	328.2 (293.4)
NASDAQ Composite	1,151.77 (+8.9)	Chicago	328.2 (293.4)
Europe and Far East		DOLLAR	
CAC 40	1,065.87 (+12.4)	New York Composite	1,027.81 (+27.37)
DAX	1,028.41 (+11.22)	Dow Jones Ind. Ave.	1,027.81 (+27.37)
FT-SE 100	1,028.41 (+11.22)	NASDAQ Composite	1,151.77 (+8.9)
Nikkei	20,264.90 (+108.32)	US LIQUIDITY RATES	
US LIQUIDITY RATES		Federal Funds	5.75%
3-month Treasury Bill	5.125%	3-month Treasury Bill	5.125%
Long Bond	10.0%	Long Bond	10.0%
Yield	8.75%	OTHER RATES	
OTHER RATES		UK 3-mo Interbank	5.75%
UK 3-mo Interbank	5.75%	UK 10 yr Govt	9.75%
UK 10 yr Govt	9.75%	France 10 yr Govt	10.25%
France 10 yr Govt	10.25%	Germany 10 yr Bond	9.75%
Germany 10 yr Bond	9.75%	Japan 10 yr JGB	5.00%
Japan 10 yr JGB	5.00%	NORTH SEA OIL (August)	
NORTH SEA OIL (August)		Brent Blend	\$20.50 (20.65)
Brent Blend	\$20.50 (20.65)	Tokyo Close	¥187.7
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Bundesbank criticises G7 deficits

Report says rich nations have too much of world's financial resources

By Andrew Fisher in Frankfurt

The Bundesbank yesterday accused rich industrialised countries of absorbing too large a share of the world's financial resources and urged them to redouble efforts to cut budget deficits.

The German central bank - in a rare departure from its customary focus on domestic issues - said the financing gap, or the difference between savings and investments, of the Group of Seven countries - the US, Japan, Germany, France, Italy, the UK and Canada - was "undoubtedly a burden" for world capital markets.

By drawing constantly on the rest of the world for more capital, G7 countries, excluding Japan, had also severely weakened their own foreign asset positions, said the Bundesbank's monthly report.

The gap between savings and investment which had developed since the early 1980s among the G7 had to be met from other countries' savings, it said. This contradicted the role of industrialised countries in supplying less prosperous, but faster growing countries, with capital to help economic progress.

The Bundesbank contrasted the deficit of the industrialised countries with high overall savings rates and financial

surpluses in many emerging and developing countries. It singled out fast-growing southeast Asian nations, saying an average of between 35 and 45 per cent of gross domestic product had been saved in Malaysia, Thailand, Indonesia, South Korea and Singapore between 1988 and 1993.

However, increasing economic maturity and the desire to match western living standards would lead to a decline in these figures. So it was essential for industrialised countries to match savings more closely to demand for capital, especially by cutting public sector deficits. This was being done in the US and most

of Europe but "considerable further efforts" were needed.

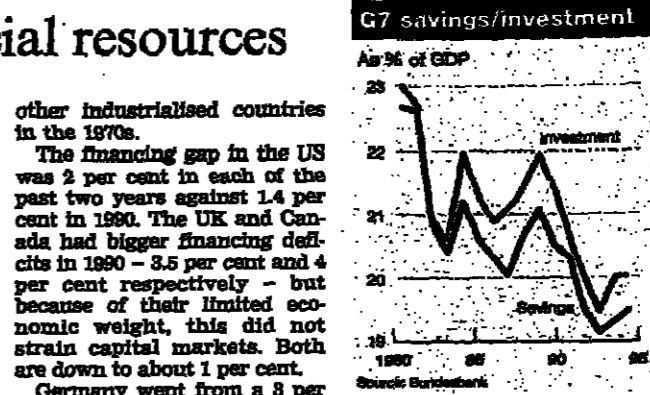
The bank said total gross savings (public and private sector) in the G7 nations had fallen from around 28 per cent of GDP in 1980 to 19.5 per cent last year. In the same period, G7 investments eased from about 28 per cent of GDP to 20 per cent. The G7 financing deficit rose in the mid-1980s to nearly 1 per cent of GDP.

This deficit decreased in the 1990s through economic weakness but has again approached 1 per cent. The financing gap was most marked in the US, where the savings rate throughout the economy was already lower than in most

other industrialised countries in the 1970s.

The financing gap in the US was 2 per cent in each of the past two years against 1.4 per cent in 1990. The UK and Canada had bigger financing deficits in 1990 - 3.5 per cent and 4 per cent respectively - but because of their limited economic weight, this did not strain capital markets. Both are down to about 1 per cent.

Germany went from a 3 per cent surplus of savings over investments in 1990 to a deficit of 0.5 per cent last year due to rearmament. France and Italy moved from deficit to surplus. Japan has maintained the world's largest source of



finance, though its high savings and investment rates have declined. Last year, it had a financing surplus of 2.3 per cent, down on the 2.5 per cent average for 1990-95.

Powell 'interested' in serving in Dole administration

Kemp pledges clean election campaign

By Jurek Martin in San Diego

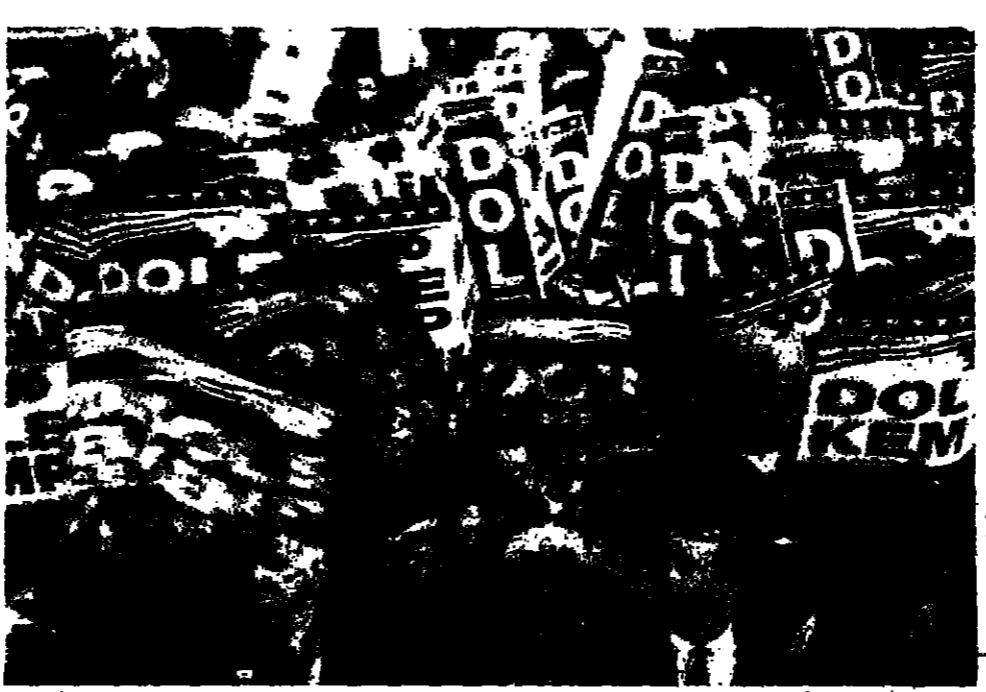
Mr Jack Kemp, the Republican vice-presidential candidate, yesterday promised a clean campaign against the Democratic ticket this autumn. He cited vice-president Al Gore as a "model" running-mate who he hoped to emulate as well as defeat.

Mr Kemp insisted that Mr Bob Dole had never asked him to be an "attack dog", a role Mr Dole himself played 20 years ago as former president Gerald Ford's running-mate.

Mr Dole is due to be voted presidential nominee tonight by the overwhelming majority of the 1,900 Republican convention delegates gathered in San Diego.

Mr Kemp's pledge followed an uplifting and enthusiastically received address on the opening night by retired general Colin Powell. His message was that the Republican party must be one of "inclusion" and he took significant exception to official party policy on issues ranging from abortion and affirmative action to immigration.

Mr Powell said yesterday he would be "interested" in serving in a Dole administration



Republican delegates waving signs at the convention centre in San Diego where Bob Dole is scheduled today to become the official Republican presidential candidate.

but added he had given no thought to his political plans in 2000.

Despite Mr Kemp's pledge, there were signs, both from some delegates and from the podium, that many Republicans are reluctant to forswear personal attacks against President Bill Clinton and his wife and remain intolerant of those who prefer more moderate social policies.

Former president George Bush said, in a clear reference to the many allegations of impropriety surrounding Mr Clinton and his staff: "It breaks my heart to see the

White House demeaned and the presidency itself diminished." He introduced his wife, Barbara, as the model first lady, in implicit contrast to Mrs Hillary Clinton.

A press conference held by the moderate Republican governors of California, New Jersey and Massachusetts was interrupted by boos and chants from conservative activists, also heard, if more scattered, during Mr Powell's address.

Many delegates were virtually anti-Clinton buttons while a line of rightwing radio talk show hosts, with broadcasting booths immediately

above the convention floor, stirred up the faithful by assaulting the president throughout the day.

Mr Kemp said yesterday that "unity" the party's prime goal this week, did not necessarily mean "unanimity". He

Continued on Page 10
Powell shows power, Page 2
Editorial Comment, Page 2

Lonrho refuses to fight block on merger plan

By Kenneth Gooding in London

Lonrho, the UK based conglomerate, has refused to fight an appeal against the proposed \$2bn merger with Anglo American Corporation of South Africa as the world's biggest platinum producer, is virtually certain not to go ahead.

Lonrho has also refused to extend the time limit for the merger while an appeal to the European courts is being heard, Mr Michael McMahon, Lonrho's chairman, reveals in his annual statement today.

The proposed merger was finalised in November last year but blocked by the Commission in April.

The Commission said the merger would create a duopoly in the platinum market that

was against the interests of European consumers.

Mr McMahon says today that Lonrho's refusal to co-operate "does not help the appeal and confuses the outcome [of the appeal] if it is successful".

He points out that Impala still has first right of refusal to the Lonrho platinum interests should they change hands but "the merger, a successful appeal, or any further transaction must now be downgraded in our expectations from imminent to remote".

A Lonrho official said it would not have been in shareholders' best interests for the group to have joined in the appeal. Also, an extension of the time limit on the merger would have simply prolonged uncertainty that was already affecting the performance of Lonrho's platinum mines in South Africa.

The Lonrho platinum management team is known to have been far from enthusiastic about the merger but its virtual demise is a big blow to Impala. The merger would

Continued on Page 10

Chechnya truce agreed to allow civilian evacuation

By John Thornhill in Moscow

Russian and Chechen commanders yesterday agreed to halt fighting from midday today, allowing thousands of civilians to be evacuated from the devastated regional capital of Grozny. Russian television said last night.

A Chechen spokesman confirmed that a temporary truce would be observed today, but heavy fighting continued in Grozny last night.

International aid organisations warned of a refugee crisis as civilians fled their homes. The European Commission yesterday approved a \$5.3m aid package for Chechnya after estimating 100,000 civilians to be in urgent need of food and medicine.

The Moscow-backed Chechen government complained yesterday that Russian forces were obstructing efforts to create "human corridors" to evacuate the city and were neglecting refugees.

The escalating crisis in Chechnya continued to echo in Moscow as the rebel fighters

glaringly exposed the army's weaknesses. Russian officials said 221 of their troops had been killed in the latest upsurge of fighting during the past week.

General Igor Rodionov, Russia's newly appointed defence minister, yesterday signalled a radical change of thinking among the country's military leaders by calling for drastic cuts in the size of the army.

In an interview with the Moskva's Novosti newspaper, Gen Rodionov said a detailed analysis of the army suggested it was in its worst crisis since the civil war that followed the 1917 Bolshevik revolution.

"I am not over-dramatising the situation. I am simply stating an objective fact," he said. "Today our armed forces do not have a single regiment capable of launching a combat action or moving by rail or air at two or three hours' notice," he said.

Gen Rodionov's comments came a day after Mr Alexander Lebed, Russia's national security chief, decried the

state of the armed forces in Chechnya and reflect a remarkable change of view at the top of the Russian military.

The outbreak of realism could present attempts at reform, which has previously been stalled by an unco-operative general staff.

The defence minister appears to share Mr Lebed's broad definition of what constitutes national security. "A country estimated with troops but lacking public health, education, science and culture is not worth much," he said.

Gen Rodionov said military reform could only proceed in parallel with economic recovery and suggested cutting the army's size to a sustainable and properly financed core of 12 divisions. He also indicated a possible change in spending priorities with scarce resources being devoted to research and development rather than the purchase of armaments.

Moscow loan, Page 2
Determined selves, Page 5

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Powell shows power over Republican fortunes



US ELECTIONS November 5

Bad speech es debate as currency, good speeches are two a penny, but great ones are like gold dust. American political conventions have seen them all, but the Republicans and a watching nation saw something with a fair quotient of carats on Monday night, courtesy of a retired black general by the name of Colin Powell.

It bore comparison with Ronald Reagan at his most uplifting and George Bush's fine acceptance speech of 1988, until he offered a fatal hostage to fortune with his "read my lips, no new taxes" pledge. Of Democrats in the last 20 years, only the late Barbara Jordan in 1976 and Governor Mario Cuomo of New York in 1984 have been in the same passionate yet eloquent league.

It was an address that any presidential nominee of either party intent on straddling the broad middle ground would have given

several eye teeth to have been able to deliver. If Bob Dole, improbably, could match it in his acceptance of the nomination on Thursday night, he might be on his way to the White House.

It also provided Republicans with a glimpse of what might have been - if Mr Powell had not forsworn a presidential bid last November and if the party had not moved too far to the right for his comfort - and of what could still be, four years from now, should the hunger enter his soul.

Mr Powell spoke of the American dream, as the son of a Jamaican immigrant "who came here to work hard and came home on Friday nights with the fruits of their labour". This is not exactly the perception of welfare-seeking, job-stealing immigrants which now permeates the Republican party, (or the left wing of the Democratic party, come to that).

He spoke of the "values" instilled in him as a young black "second class citizen" that "justice will eventually triumph". But he talked of "family values" not in the contemporary language of right or left but as the bulwark against generalised



Haley Barbour (left), Republican national committee chairman, congratulates Colin Powell after his address

images of "violence, vulgarity and incivility".

But, above all, he spoke of why he was a Republican and here he pulled relatively few punches. The party, he proclaimed, "must always be the party of inclusion - the Hispanic immigrant, made a citizen yesterday, must be as precious to us as the Mayflower descendant". That might be interpreted as criticism of the Republican drive to make English the official

language of the US.

So it was with racial discrimination "which must be ripped out branch and root". He went on: "Where discrimination still exists - or where the scars of past discrimination still exist - let us not declare a level playing field". The Republican platform seeks precisely that.

Then came the unframed crunch. "I want to build the big tent. You all know I

believe in a woman's right to choose and in affirmative action," which is exactly what his party platform does not believe in. "But we are a big enough party to disagree and still believe in the common goal."

That was all he said on abortion, which might have marginally disappointed pro-choice Republicans denied the opportunity at the convention publicly to register their dissent from the reli-

gious and cultural conservative positions that are now party policy.

But it was enough to get them out of their seats cheering. It was also enough, in post-mortem television interviews, for the anti-abortion brigade to remind Mr Powell that policy was actually somewhat different from his preference.

There was more in the conventional vein, of his belief in smaller govern-

ment, more economic growth and strong American global leadership.

Bob Dole could not have wanted a warmer endorsement, nor could Jack Kemp, his running mate, whom Mr Powell described, with evident feeling, as "a caring man".

His oratorical style was not perfect - the body language sometimes jerked a bit and the voice rose almost to a screech at the patriotic coda - but there was little doubt he held the convention in the palm of his hand.

Former presidents Gerald Ford and George Bush had made several of the same points earlier, and the reception they received was conventionally polite. But even they would concede they are yesterday's leaders.

Mr Powell, on the other hand, is definitely today's, maybe tomorrow's, and is in any case different. His status, as the first black man to rise from obscurity to head an American military that was segregated until President Harry Truman ordered otherwise less than 50 years ago, gives him an acceptability that crosses racial lines and transcends the capabilities of most ordinary politicians.

Not all, it must be said. Martin Luther King could do it, but he was outside party politics and had a cause as well as a dream. There is nothing false about the deep feelings Democratic presidents such as Jimmy Carter and Bill Clinton have about racial discrimination and social inequality, harboured equally, if often more reticently, by any number of good Republicans, among them Bob Dole and Jack Kemp.

But in the partisan nature of contemporary politics these are subjects more often addressed to audiences of the already converted or in the sort of controversial loaded legislation in which Washington has been awash.

One speech by a man who is not a candidate for national office cannot of itself rescue a party, any more than Mario Cuomo could the Democrats 12 years ago. But if Mr Powell delivers a few more like it on Bob Dole's behalf in the weeks to come, there is no telling what the consequences may be, ranging from a Republican presidency to a party whose dogmatic right takes a walk.

Jurek Martin

Pathos comes right on cue in made-for-TV extravaganza

The story line hit all the facile highs and lows of soap opera. The studio audience cried and clapped on cue. None of the actors fluffed their lines, and some struck notes of plausible pathos. No cliché of cinematic technique was spared in the search for the perfect visual.

Republican Convention 1996 - the mini-series - made its debut Monday night on prime-time television. Everything was done to ensure that a nation of channel surfers - many of whom "sur" political parties like they do television channels - paused long enough to notice.

First of all, they were guaranteed the best seats in the house. For any tattered armchair before any 20-inch screen in the nation was preferable to the choicest spot on the convention floor.

Delegates from Kansas, Senator Bob Dole's home state, were just about close enough to the stage to distinguish a speaker's smile from a grimace. But

Patti Waldmeir eschews the convention floor for an armchair to catch a slice of the action in San Diego's prime-time soap opera

those from a host of other states could not see the stage at all. The press box scored a perfect zero for visibility. So, just like the folks back home, almost everyone in the hall watched the proceedings on video. This truly was a case where TV was better than life.

Republican strategists boast that they scripted their convention entirely for television. Mr Paul Manafort, the convention manager, says the major networks have historically carried 15 minutes of anchorman's comments, commercials and correspondents' reports for every hour of convention business. So he gave the networks exactly what he thought they wanted: 45 minutes of fast-paced action, bite-sized speeches, and slick videos, along with 15 minutes of marginal material

designed for the network knife. And he scheduled the action to take place at East Coast prime time, with the climax from 10pm to 11pm.

Mr Manafort claims the aim was to encourage political dialogue with the millions beyond convention walls. But he also knows that a nation of channel surfers prefers the visual to the verbal, and neither in large doses. So most speakers were told to limit speeches to 90 seconds - about the time it took to salute the American dream, invoke the crisis in American families and touch the other hallowed bases of Republicanism before giving way to the next speaker to do the same.

To lighten the whole, he produced a sprinkling of lyrical videos showing "real people" in sentimental settings

designed to demonstrate Republican links with "ordinary Americans".

Mr Manafort need not have bothered counting his minutes: even CNN, the most politically addicted of the networks, focused on the stage for only about five minutes of its first hour of evening coverage. At the top of the hour, the network broadcast a Red Indian chief reciting the pledge of allegiance and a young black boy singing the national anthem.

Then for nearly 50 minutes - as podium speakers droned on in the background - CNN scripted its own convention. Reporters interviewed Republican luminaries on the convention floor. Without a hint of irony, television pundits bemoaned the sorry state of politics in the made-for-TV age,

when one of the great pageants of American life had been reduced to sitcom. And for the ultimate in surreal television experiences, CNN took us to a little town in Ohio to watch live footage of voters... watching the convention on TV.

But none of the networks could resist the pull of the podium when Mary Fisher, an AIDS sufferer, rose to declare that she meant to "live and die a Republican", or when a small black girl at her side read out her own composition, a poem entitled: "I am the future and I have AIDS." Nor could they resist cutting immediately to the floor for snapshots of tearful delegates.

Appropriately, it was former President Ronald Reagan - first master of the televised image - who finally cap-

tured the network cameras. Television screens were filled with the saccharine images of a video tribute to the former leader prepared by the Republican party, and broadcast in the hall. Then Mrs Nancy Reagan stepped to the podium to deliver her own moving salute to a husband dying of Alzheimer's disease, and grown men were shown weeping. Finally, the convention organisers had successfully struck their chosen chord: nostalgia. And no network anchorman got between them and their message.

But the drama was incomplete until retired General Colin Powell rose to deliver his own true-life tale of the poor black boy who might have become president. In a campaign whose central theme has been mourning the American dream, Gen Powell stood at the podium as a product of that dream and implored his countrymen to believe in it. And he ended his speech on the dot of 11pm eastern time. Just like the script said he would.

AMERICAN NEWS DIGEST

US consumer prices edge up

US consumer prices rose 0.3 per cent in July, ahead of most forecasts, suggesting inflationary forces are not entirely dormant. Separate data showed retail sales edging forward last month, indicating consumer demand is holding up better than many Wall Street economists expected.

The figures, however, were not seen as altering the outlook for monetary policy. The Federal Reserve is widely expected to hold interest rates steady at its next policy meeting on August 20.

Consumer prices rose 0.3 per cent last month, reflecting large increases in the cost of food and hotel accommodation. Economists had expected a gain of about 0.2 per cent. In the past six months consumer prices have risen at an annualised 3.5 per cent, up sharply from 2.5 per cent during 1995 as a whole.

However, the core consumer price index, which excludes food and energy, shows little sign of acceleration. Core prices were up 0.3 per cent last month and at an annualised 3 per cent in the past six months, in line with last year's increase.

Retail sales rose 0.1 per cent, against projections of a 0.2 per cent contraction. But for a sharp fall in car sales, which are volatile on a monthly basis, sales would have been up 0.3 per cent.

Figures for June were revised down to show a fall of 0.5 per cent, rather than 0.2 per cent.

Economists are divided on whether the slowdown in sales reflects a temporary pause or a broader deceleration of economic activity in the second half. If the slowdown proves lasting, Fed policy could stay on hold until after November's election.

Michael Prouse, Washington

Zedillo dismisses investigator

President Ernesto Zedillo of Mexico has dismissed the special prosecutor investigating the assassination in 1994 of Mr Luis Donaldo Colosio, the ruling party's presidential candidate, after a key defendant in the murder trial was acquitted last week. Mr Pablo Chapa Bezanilla was the third special prosecutor to fail to unravel the case.

Mr Colosio was shot dead while campaigning in the border town of Tijuana. The government initially said the assassination was the work of a sole gunman, who was caught at the scene of the crime, tried and jailed for 45 years.

Mr Chapa Bezanilla, however, sought to prove the assassination was a conspiracy with two gunmen involved. His case collapsed when a judge acquitted the alleged second gunman last week. Mr Chapa Bezanilla was also unable to shed any light on who wanted Mr Colosio dead.

Solving the Colosio murder case has become a test of Mr Zedillo's commitment to improving law enforcement. The legal setback brought calls for the resignation of Mr Antonio Lozano, the federal attorney-general, who is the only member of an opposition party in Mr Zedillo's cabinet, but the president's office has confirmed Mr Lozano in his post.

Leslie Crawford, Mexico City

Jamaica sells refinery stake

The Jamaican government has sold for \$68m a 70 per cent interest in the island's only oil refinery to a consortium led by the company's managers. Amercan Trading of the US and Austin Blades of Austria are the other partners, with the latter securing financing for the sale.

This is the second of three planned privatisations following that of Air Jamaica just under two years ago.

Carolee James, Kingston

Bold start to Argentine war on deficit

It must have come as some embarrassment for Mr Roque Fernandez, Argentina's new economy minister, that only hours after announcing his much-awaited austerity package on Monday night, President Carlos Menem should have unceremoniously vetoed two of the measures.

Mr Menem considered it politically inopportune to levy VAT on previously exempted books, magazines and state-subsidised private education, forcing Mr Fernandez to withdraw these proposals.

The disagreement between Mr Fernandez and Mr Menem probably owes more to the haste with which the package was finally announced than to lack of political support. By limiting his objections to two issues, Mr Menem has in fact put his name to what La Nacion newspaper calls the "severest austerity package in years".

The main aim of that package is to close a budget deficit which Mr Fernandez admitted was hurtling towards \$6.1bn this year - \$4.1bn more than agreed with the IMF. Measures, including a controversial increase in diesel and petrol prices and an end to several VAT exemptions, would save the Treasury \$3bn-\$4.5bn annually.

Mr Fernandez will seek legislation to ensure that extra revenue earmarked to plug shortfalls in the social security system, is not shared with the provinces. The economy minister, who has been in intense negotiations with congressmen from the ruling Peronist party, said he was confident of legislative support.

Argentine Brady bonds and securities opened slightly down in international markets yesterday as investors took the view that further austerity would impact on growth. On Monday Mr Fernandez downgraded growth estimates for 1996 from 5 to 4 per cent. Most analysts expect further downgrades to follow.

Mr Jerome Booth, head of

emerging markets research at ANZ Bank in London, said the measures were "spot on... It was just what I was looking for, a significant tightening on the fiscal side".

In Buenos Aires the Merval index of blue-chip stock opened down 1.2 per cent, as investors digested the implications of the package.

Biggest revenue earners in the package will be a 12 cents rise on diesel fuel which, after partial rebates to the agricultural and fishing sectors, should raise an annual \$750m. A 10 cents increase in petrol prices is expected to net a further \$600m.

Mr Fernandez - in what marks a clear policy change from Mr Domingo Cavallo, his predecessor - also hopes to save more than \$1bn annually by virtually abandoning Mr Cavallo's industrial and export-promotion incentives. Export subsidies have been cut, tax breaks on the manufacture or import of capital goods abandoned, and incentives for specialised industries scrapped.

Mr Jorge Blanco Villegas, president of the Industrial Union of Argentina, which represents big businesses, complained that "there is not a single measure here to stimulate recovery... These are just tax increases".

Mr Fernandez, a strict Chicago-trained monetarist, plug shortfalls in the social security system, is not large by international standards - at only 2 per cent of GDP - a history of lax fiscal policies makes investors wary of the slightest shortfall.

Mr Roberto Alemann, a prominent local economist, said deficit-reduction was the only way to lower country risk and cut international financing costs. Mr Fernandez, he said, was correct to pursue this path as the best way to achieve sustainable growth.

David Pilling

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NEWS: WORLD TRADE

Manila to push for Apec unity

By Edward Luce in Manila
 The Philippines will press the Asia Pacific Economic Co-operation Forum to agree a common line on competition policy, investment rules and intellectual property rights ahead of the World Trade Organisation's first ministerial meeting in December.

A spokesman for the Philippines, which will host Apec's fourth heads of state summit in Manila in November, said the government would strive to reach a consensus on "built-in" WTO negotiating issues at an Apec preparatory meeting in Davao, southern Philippines, next week.

Mr Federico Macaranas, the Philippine chairman of Apec in 1996, said it was vital for the 18-member free trade forum, which accounted for 46 per cent of global trade in 1995, to speak with one voice at the WTO meeting in Singapore.

This included agreeing a common line on new areas of global trade negotiations such as competition policy, liberalising trade in information technology and harmonising rules on investment and government procure-

ment contracts. The US, Apec's largest member, has already pushed for an Apec proposal to reduce barriers to the free movement of information.

However, countries such as Malaysia and Thailand, which succeeded in making Apec's liberalisation targets "non-binding" when the initial target dates were set in Indonesia in 1994, are expected to be less enthusiastic than others about forging a strong Apec line for the WTO negotiations.

Czechs reject Unisys appeal

By Vincent Boland in Prague
 The Czech competition office yesterday rejected an appeal by Unisys against the cancellation of a military contract won by the US technology group in a tender last year. It also criticised the defence ministry for its handling of the bidding process.

French groups in nuclear deal

WORLD TRADE NEWS DIGEST
 The export of French nuclear technology received an important boost yesterday when Cogema and SGN, two nuclear materials and reprocessing groups, announced details of a \$300m contract as part of a consortium's \$5bn award to clear up one of the most important sites in the US. Cogema and SGN will help co-ordinate the management and clearance of the US military complex at Hanford in Washington state, the site which provided the plutonium for the Manhattan project to develop the atomic bomb used in October 1945.

East Europe car demand 'set to double by 2006'

By Kevin Dore, East Europe Correspondent
 New car demand in east Europe and the former Soviet Union is set to double during the next 10 years, reaching 2.9m by 2006, according to a study by DRI/McGraw Hill and PlanScan.

Higher sales will result from strong economic growth, a dramatic improvement in consumer credit facilities and from lower prices because of changes in fiscal policy and intensifying competition.

Eastern Europe: car industry forecasts

	sales (000 units)				production (000 units)			
	1994	1995	1996	2001	1994	1995	1996	2001
Bulgaria	14	11	10	12	0	0	0	0
Croatia	0	0	0	0	0	0	0	0
Czech Republic	81	72	72	108	82	80	80	120
Hungary	90	88	82	151	92	91	95	110
Poland	357	369	399	538	358	370	396	559
Romania	59	62	68	118	60	65	70	125
Slovakia	17	20	20	26	18	21	21	28
Slovenia	46	50	64	77	47	51	65	83
Soviet Union	1,591	1,579	1,583	1,827	1,592	1,581	1,586	1,832
Russia	658	693	720	1,032	659	700	732	1,042
Ukraine	16	17	17	19	16	17	17	19
Uzbekistan	5	5	11	56	0	0	10	73

ment suppliers in the coming decade. "Compared to current market levels around 1.5m extra cars will be sold (annually) in the region by 2006," it says.

Car sales in east Europe exceeded expectations last year and "remain exceptionally strong" in 1996, said Ms Carol Thomas, DRI vehicles analyst. Production, which reached a low of 1.6m in 1994, is forecast to grow to 2.7m by 2001 and to 3.2m by 2006.

Despite the prospect of strong growth in demand, the report warns about the danger of growing overcapacity. "The indications are that producers are installing greater capacity than local and export demand will justify," said Ms Thomas.

Among the biggest markets in the region, the study forecasts new car sales in Russia growing from 658,000 last year to 1,032m in 2001, with Polish sales in the same period up from 264,000 to 399,000 and Czech sales up from 112,000 to 188,000.

Kazakh sell-off breaks power monopoly

Kazakhstan sold off its largest power station and the capital's energy monopoly to foreign investors yesterday in an attempt to revive energy production and cut dependence on its neighbours, writes Sander Thomas in Almaty.

AES-Sumtro, a US-Israeli partnership of power station operators, pledged at least \$500m to upgrade and operate the unfinished Edisbas-tuz I power station in northern Kaz-

akhstan. Tractebel, the Belgian power producer, took over the electricity and heating stations and distribution networks of Almaty and the surrounding province, pledging to pay \$5m and to invest \$270m to boost production.

The purchases top off a sale of power stations, mostly to foreign investors who operate nearby metal smelters, the largest consumers of electricity. In addition, Asea Brown

Boveri, the Swiss-Swedish industry group, is negotiating a contract for construction, finance and operation of a 300MW coal-fired power station 400km north of Almaty.

NEWS: INTERNATIONAL

S Africa moves on Moslem militants

By Roger Matthews in Cape Town
 South African police moved against members of the militant Moslem organisation People Against Gangsterism and Drugs (Pagad) in Cape Town yesterday following threats of more violence and suggestions of international involvement.

The arrest of at least one Pagad leader, on charges of murder and sedition, came in the wake of clashes at the weekend between the secu-

ritary forces and the organisation's supporters who have vowed to rid Cape Town of all drug dealers. Police raided a number of other homes overnight in the search for other prominent Pagad members.

Earlier this month gunmen among hundreds of Pagad members shot dead one of the city's most notorious drug dealers, but police made no effort to intervene.

Mr George Fivaz, the national police commissioner, later held talks with Pagad leaders but failed to persuade them to work with the authorities and abandon what he described as "a deliberate strategy of violence."

Moi profits from opposition squabbling

Kenya's president has poll advantage, reports Michela Wrong
 Safina, the party set up by opposition dissidents and conservationist Dr Richard Leakey, remains unregisted until next week after its launch, unable to build on the excitement that greeted its creation.

With a real possibility of each faction fielding its own presidential candidate, splitting the opposition vote five ways and repeating the scenario that handed Mr Moi victory in 1992, small wonder even traditional opposition supporters are looking at Kanu with new eyes.



The disruption has provided Kanu with easy pickings, with a growing number of opposition MPs lured back to the former single party. Political commentators were astonished by the rapturous welcome Mr Moi received on a tour of Luoland - a Ford-Kenya stronghold where he would normally never have dared to trespass, and more defections are expected.

While voters are wondering whether it is worth turning out on election day, foreign donors are muting their once virulent criticism of the government, despite signs of continuing human rights abuse and new evidence of official corruption.

Supporters of one of the two main factions of FORD-Kenya attacked a member of another faction in Thika, after a party congress turned to violence.

But Mr Odinga, son of Mr Oginga Odinga, the late FORD founder, has always regarded the leadership of FORD-Kenya as his by right and was merely biding his time until an opportunity to stage a coup presented itself.

Mr Kenneth Matiba, nominal head of FORD-Asili, has alienated party members with his autocratic ways, while refusing to acknowledge that several strokes while in detention have left him unequal to the job.

INTERNATIONAL NEWS DIGEST

Crisis talks on N-test treaty

International negotiators went into crisis talks yesterday in an attempt to salvage a global nuclear test ban treaty which is threatened by objections from both India and Iran.

A formal negotiating session at the United Nations' Palais des Nations in Geneva was suspended within minutes of its start and Mr Jaap Ramaker, the chairman, called for private consultations before another meeting.

Israeli move angers Arafat

Mr Yasser Arafat, president of the Palestinian Authority, and other senior officials yesterday called Israel's decision to set up nearly 300 mobile homes in Jewish settlements a clear violation of their self-rule deal.

"This is a new breach of what had been agreed upon and what had been signed," Mr Arafat said in response to the homes in the West Bank and Gaza Strip.

Huge mosque contract won

An Italian joint venture has won a \$408m contract to build a spectacular mosque in Abu Dhabi, the latest in a series of lavish religious buildings in the region.

An industry source said Impregilo-Rizzani de Eccher had been told it had won the contract for the marble and granite mosque, which will hold 7,000 worshippers, will be topped by 110 metre minarets and will be ringed by gardens, water fountains and walkways.

سكرا من الامل

Fraud probe delays Thai bank licences

By Ted Sardacke in Bangkok

The Thai cabinet yesterday approved three new domestic banking licences but said they could not be officially awarded until an investigation was completed into allegations that the successful bidders paid bribes during the selection process.

But it further delayed Thailand's long-standing plans for the liberalisation of its financial sector. Last April, a committee of senior bureaucrats from the Bank of Thailand and the Ministry of Finance recommended that groups led by General Finance & Securities, Italian-Thai Development and MBK Property be given banking licences, the first such licences to be issued since 1986.

Deputy Prime Minister Gen Chavalit Yongchaiyudh repeatedly complained the rules should be bent so the War Veterans Organisation could be awarded a licence and its doing so prevented the issue from being brought before the cabinet on schedule. Last week Justice Minister Chalerms Yoocharung said B750m (\$90m) had been paid to unnamed ministers by each of the winning groups. He said Prime Minister Banham should resign in favour of Gen Chavalit, who is also Defence Minister.

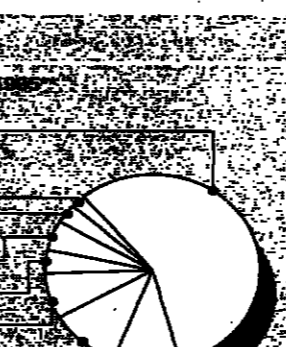
Yesterday's cabinet resolution told Mr Annuay Viravan, foreign minister, to lead a committee to investigate the bribery allegations but gave it no deadline by which to complete its inquiry. Mr Bodi Chunnananda, finance minister, said he would award the licences on his own authority if the investigation took too long.

Analysts said the compromise was aimed at keeping the coalition intact while giving the false impression the bank licensing process was going forward. "It's really disappointing that the bank liberalisation process is being derailed because of interna-

Penang finds it tough staying on top

The island of Penang is full of reminders of the cycle of boom and bust. Colonial mansions built by the British with money from free port trade now stand dilapidated. Palaces once erected by tin tycoons are being slowly digested by ants, and local government officials recall with a shudder the 1960s when a sudden economic decline put 15 per cent of the workforce out of a job.

For more than a decade, however, Penang has been Malaysia's greatest success story, a "silicon island" at the vanguard of the country's transformation from labour intensive manufacturing to high technology.



Now talk of bust is back in the air. "Foreign firms are pulling out," read one newspaper headline recently. And last week a local Chinese newspaper proclaimed on its front page: "5,000 staff lose their rice bowls [jobs] in the first half of the year."

Government officials and executives at foreign electronics companies say that Penang's future is not that gloomy. But the recent slowdown in global demand for electronics products and the departure of some companies is prompting a reassessment of Penang's attractiveness as a manufacturing base.

losing their jobs. "Some of our workers leave after two weeks," said the chief executive of a foreign electronics company in Penang. "The reasons they give are absurd: that the chicken food is better somewhere else, or that the bus to work is not too convenient. This is a pampered workforce."

Mr K. Gopalan, manager of the industry and trade division at the state-run Penang Development Corporation, said that turnover in local factories had reached, on average 48 to 60 per cent of the workforce per year.

These trends leave Penang with one option - to remake itself as much in Singapore's image as possible. "Singapore has raised the effectiveness of its workforce many levels above the Malaysian workforce, but we have to become like them," said Mr Boonier Sornchit, executive director of the Penang Skills Development Centre (PSDC), a private business founded partly by multinational companies.

The state government too will have to be "re-engineered" for greater efficiency, said Mr Kang. "Actually, the problem of productivity in the factories is not so bad. It is the rest, like the government, where the problem is," he said.

Grundig, Philips' German subsidiary, closed down its radio, cassette and compact disc player factory in June with the loss of 800 jobs. Hewlett Packard shut down the disc-drive division of its

plant and Quantum Storage, a US manufacturer, moved its manufacturing operations. Sony denied a recent press report that it was moving a production line to Indonesia but, like most manufacturers, it acknowledged that it has cut production volumes.

Mr K. Gopalan, manager of the industry and trade division at the state-run Penang Development Corporation, said that turnover in local factories had reached, on average 48 to 60 per cent of the workforce per year.

The costs of power and land rent are also rising steadily, and last week the government announced a series of increases in toll tariffs on the main expressway up and down the Malaysian peninsula. Some manufacturers in Penang are also concerned that the US may

withdraw the preferential access to its market it provides to developing countries next year. "This would hit Malaysia's electronics sector hardest."

James Kyng

Malaysia lifts Burma's bid to join Asean

By James Kyng in Kuala Lumpur

Efforts to accelerate Burma's admission as a full member of the Association of South East Asian Nations received a boost yesterday after Rangoon welcomed a Malaysian proposal that it should join the Asean club next year.



Than Shwe: 21-gun salute

Mr Ohn Gyaaw, Burma's foreign minister, said Rangoon wanted to become a full Asean member "as soon as possible". He supported a new proposal by Dr Mahathir Mohamed, Malaysia's prime minister, that the country should join at Asean's 30th anniversary celebrations next year.

Thailand, the Philippines, Brunei, Indonesia and Vietnam, has made it clear western views of its membership will be disregarded.

Mr Ohn said Burma was ready to abide by Asean commitments on liberalising trade but did not give details. Vietnam, when it joined last year, was allowed until 2005 to lower most of its tariffs to less than 5 per cent, three years beyond the 2003 deadline applied to other Asean members. It is likely that Burma will receive a similar concession.

Gen Than was given a 21-gun salute, dinner with Malaysia's king and a long audience with Dr Mahathir on Monday. "We are shocked by the willingness of our government to consider with a regime notorious for its atrocities and disregard for the basic human rights of its citizens," a statement by the group said.

HK civil service barred from key committee

By John Fiddling in Hong Kong

The Hong Kong government has barred senior civil servants, police and information officers from joining the 400-member committee which will set up the territory's post-1997 government, administration officials said yesterday.

A circular has been sent to the groups concerned informing them of the decision, according to the civil service branch of the administration. Officials said the ban was in line with existing rules on political activities by civil servants and was intended to maintain the political neutrality of the civil service.

The issue has proved particularly sensitive, however, because of controversy surrounding the Selection Committee. The body will nominate Hong Kong's chief executive, who will head the government after the territory returns to China next year, but it will also select the first legislature for the territory after the transfer of sovereignty.

Pro-democracy forces are fiercely opposed to the replacement of the existing legislature, which was voted in last year with a four-year mandate under reforms introduced by Governor Chris Patten. China has pledged to dismantle the legislature, arguing that its formation and Mr Patten's political reforms breached agreements on the handover.

Bangladesh officers who led 1975 coup arrested

By Kasra Naqi in Dhaka

Police in Bangladesh yesterday arrested three retired army officers who led a coup 21 years ago that killed the father of Prime Minister Sheikh Hasina.

Police said the men were arrested for possession of illegal arms but the daughter of one of the officers insisted the men were involved in because of their involvement in the military coup which toppled the government of Sheikh Mujibur Rahman, Bangladesh's founding prime minister and father of Sheikh Hasina.

Sheikh Mujibur and most of his family were murdered in the coup. His two daughters were abroad at the time.

The three arrested men are Col Seyid Farooq Rahman, Col Shahriar Rasheed, and Maj Khuramun. Lawyers said it was unlikely the three would be charged with murder as there was a constitutional indemnity against prosecution of anyone on the charge of involvement in the coup.

The arrests came on the eve of the anniversary of the killings which is being marked in Bangladesh for the first time this year. In one of her first decrees, Sheikh Hasina declared the anniversary a national day

of mourning. As an opposition leader before becoming prime minister, she had demanded those involved in the coup be tried. In June, the Communist party urged her to withdraw the amnesty covering those involved in the coup.

up to three months of anyone suspected of involvement in terrorism. The three are among a wider group of army officers and senior diplomats whom government officials have accused of involvement in the coup.

In July, the new government recalled a number of the diplomats from overseas postings, triggering rumours that it government would seek to bring all those involved in the coup to justice.

The World Bank has cautioned the Bangladesh government that foreign aid for the country would be linked to the government's unequivocal commitment to reforms and radical improvement in the quality of public spending.

The warning came as the cabinet approved a proposal to ask the meeting of Paris Club of sovereign donors in September for \$2bn to be spent on infrastructural development plans.

ASIA-PACIFIC NEWS DIGEST

Manila export zones prosper

Exports from the Philippines' export processing zones (EPZs) rose by 50 per cent in the first six months of 1996 to \$2.75bn as a result of higher foreign direct investment, said economists. The special zones, which offer tax breaks and waive duties on capital equipment imports for investors, have attracted a growing inflow of investment from Japanese companies in the last 12 months. Exports from the zones, which excludes figures from Subic Bay Freeport and the Clark special economic zone, the two former US military bases which are said to be growing at a similar rate, were led mainly by electronics and electrical components said officials.

Oil price fears played down

The Philippine government yesterday played down fears that market-based pricing for petrol and other oil products would lead to dramatic price rises and higher inflation. The liberalisation, which starts today, will for the first time in 25 years remove oil prices from political control. Petrol and oil prices will be adjusted monthly under an automatic pricing mechanism linked to prices in Singapore.

Philippine labour groups have called a national strike on August 23 to protest at the 5 per cent increase in petrol pump prices to 10 pesos (38 US cents) a litre which comes into effect today. The government says prices of products used by poorer consumers such as kerosene and liquefied petroleum gas will drop marginally while public transport fares will remain unchanged. Philippine inflation is predicted to fall from 8.9 per cent in July to about 6 per cent in December. Economists say that the oil price deregulation will have a "neutral" impact on the consumer price index.

Taiwan cement plan to resume

Taiwan Cement, the island's leading cement maker, plans to resume work on a T\$5.5bn (\$211m) expansion of its plant in eastern Taiwan following a year-long delay because of environmental protests by local residents. The Hualien county government recently gave the green light to continuation of the project, which should be completed by next summer, company executives said. The expansion will increase annual production capacity at the Hualien facility from 250,000 tonnes to 1.5m tonnes. Taiwan Cement's total yearly capacity is 5.6m tonnes. Late last year the company suspended work on a T\$800m investment plan, also in Hualien, because of environmental concerns.

N Korea to return novelist

North Korea said yesterday it would hand over a South Korean novelist whom Pyongyang claims illegally entered the country at the end of July, the (South) Korean National Red Cross said. The novelist, Mr Kim Ha Ki, went missing on July 30 after drinking at a North Korean-run restaurant in Yanji in the Chinese border province of Jilin. Mr Kim had arrived in China on July 26 as a member of a group of 60 tourists.

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ARTS

Television/Christopher Dunkley

Bring on the nearly new

The words "New Series" are used with remarkable casualness in television promotion. Last Friday saw a "New Series" start on BBC1 with a programme first screened in 1974...

with the radio-mike in the hands of Oprah Winfrey, Kilroy Silk, and of course Rantzen herself. The subject (ME on this occasion; one of the Rantzen children has it) is inevitably poorly served, but broadcasters see it as "good television".

On the following night ITV showed the first of a new series called First Sign Of Madness, four half-hour dramas described as "Talking Heads style monologues".

television in the last couple of years, the opening programme still had the power to shock. It told in some detail of how, in the 1960s, homosexuals were subjected (or subjected themselves) to aversion therapy...

The minute that ended, BBC1 began a series called Defence Of The Realm which looked like a clothes show for chaps. Somehow they managed to get Sir Peter Inge to model a long succession of stunning little outfits...

Sir Peter wears all those different outfits according to his daily appointments. Judging from this opening episode we are going to see precisely what the MoD people want us to see and no more.

It was immediately followed by the first episode on BBC1 of a "comedy drama" (code for no laughter track) called Safe And Sound.

Whether it would ever have occurred without the precedent set by Roddy Doyle in his books and then in the television adaptations, but even now it takes some bottle to do it, especially when you set out deliberately to cut across the lines of the two communities.

Europe On The Road (Channel 4, Saturday evenings) is another example of the way in which television is now better than print journalism at providing general background features from abroad.

other countries) and the return of collective farms in the east to private ownership (the old communist bosses have become the new capitalist bosses) gave an impressively broad idea of how it might feel to be German in 1996.

The difficulties are legion. Distinguishing in print between consciousness, self-consciousness and introspection is not intolerably difficult. But try it on television and your producer will probably tell you that most viewers won't understand "introspection" and that you must find a simile or metaphor.



Ravishing: a scene from Mark Morris's 'I don't want to love', specially commissioned to mark the festival's golden jubilee

Mark Morris is the Edinburgh Festival's dazzling, well-loved back year after year. His company's appearances have reminded audiences of the artistic standards they are entitled to expect - and have so often been denied by dance offerings of late.

The magic of Morris

should have a title, so intimate is the link between words and dance. But the dance speaks, and a moment's poem with the text of the poems in the programme is sufficient to lead into what Morris is doing, while the first level of the choreography - its acceptance of the music's form - is clear and persuasive.



Morris shows a group of dancers aping Balinese forms without much credibility, gradually succumbing to death and defeat. The patterns of the dance are intriguing; their effect is blatant, and the piece smacks of a polemicism

foreign to Morris' work. As sombre, but very different, is Behemoth. This was made in 1990 in Brussels and is performed in silence. For 35 minutes we watch the cast of 15 moving, posing, crossing the stage in wave-forms, all trapped within themselves.

Isadora Duncan with five o'clock shadow, and like Isadora, he moves with an innocence, an absolute clarity of intention and feeling, that are marvellous. These are like dance-moments of a child playing alone, or of the Earth-mothers of modern dance (Morris can evoke lost-lost styles with a stunning imitative grace).

Clement Crisp

Sponsored by TSB.

'Fidelio' speaks for the festival

The 60th Edinburgh festival took wing on Monday with Fidelio. Beethoven's opera may not be the most original programme-idea, and this performance was only in concert. But no matter: it echoed the world which brought the festival into being, freed from the threat of tyranny; it proclaimed Edinburgh's enduring internationalism, while drawing on the services of a Scottish orchestra and chorus; and it matched the standards of excellence by which all great festivals will be judged.

The Lyceum was Sir Charles Mackerras, whose opera concerts at the Usher Hall have become a feature of the Edinburgh programme. This Fidelio had been studied afresh and immaculately prepared, with more than a nod to period style. It had a smell of the theatre. Most important of all, it confronted the listener with the blazing originality of the piece, its intellectual strength and emotional depth.

Siegfried Vogel brought Rocco to life with minimal gesture and vocal largesse. Franz-Josef Kapellmann was the stentorian Pizarro, Ildiko Raimondi a gorgeous Marzelline and John Mark Ainsley an idiomatic Jaquino.

Beethoven also dominated the opening concert on Sunday - and here, too, the Edinburgh Festival Chorus (chorusmaster: David Jones) made an outstanding contribution. Indeed, its full-bodied but precise singing in the finale to the Ninth Symphony was one of two redeeming features in a dispiriting evening (the other was Bryn Terfel's lusty baritone solo). Unlike Fidelio, the performance revealed a chasm between intention and execution: Donald Runnicles was evidently trying to do something with the music he was not capable of realising. He was clearly aiming for the kind of fast, athletic performance which has recently become de rigueur. Using monumental forces - a full-strength Royal Scottish National Orchestra - he proceeded to iron out all trace of monumentality in the music, with no compensating clarity of line or texture.

The programme also suffered from a dose of commemorative correctness. Prefacing Beethoven's Ninth with Schoenberg's short and strange A Survivor from Warsaw may make sense on paper - remembrance of the past linked to an optimistic view of the future - but it did not add up to a satisfactory whole.

Andrew Clark

INTERNATIONAL ARTS GUIDE

AMSTERDAM CONCERT Concertgebouw Tel: 31-20-5730573 ● Korinkij ● Concertgebouwconcert: with conductor Riccardo Chailly perform works by Schoenberg and Bruckner; 8.15pm; Aug 16

works from the museum's collection, allowing the public to follow the evolution of the different styles of the 16th, 17th and 18th centuries, from Mannerism to Rococo. Artists represented include Tintoretto, El Greco, Rubens, Tiepolo, Fragonard, Filiberto, Ribera, Velázquez, Zurbarán and Vlastakis; to Nov 15

BERLIN EXHIBITION Agptisches Museum und Papyrussammlung - Charlottenburg Tel: 49-30-3209126 ● Theater im Hieroglyphicum. Agptisches Bildwerke des Barock: exhibition of a series of 18th century pseudo-Egyptian statues and reliefs that were created for the Park von Wörlitz. The works on display give an insight into the ideas and perceptions of ancient Egyptian culture that prevailed at this period of time; to Sep 7

THEATRE Maxim Gorki Theater Tel: 49-30-202210 ● Children of the Sun; by Maxim Gorki (in German). Directed by Schmitt. The cast includes Susanne Böwe, Thomas Schmidt, Marie-Lou Sellem and Till Weinhelmer; 7.30pm; Aug 18

BOLOGNA EXHIBITION Galleria d'Arte Moderna Tel: 39-51-502859 ● Gilbert & George: an

Anthology: retrospective exhibition devoted to the work of the British artist-duo Gilbert & George. The display includes 100 large works from the 1970s to the present; to Sep 8

BREGENZ CONCERT Bregenzer Festspiele - Festspiel und Kongresshaus Tel: 43-5574-4920 ● Symphoniorchester Vorarlberg; with conductor Christoph Eberle and pianist Stefan Viccar perform works by Brahms and Beethoven. Part of the Bregenzer Festspiele; 11am; Aug 15

THEATRE am Kormmarkt Tel: 43-5574-4920 ● The Taming of the Shrew; by Shakespeare (in German). Directed by Johanna Schall and performed by the Deutsches Theater und Kammertheater Berlin. Part of the Bregenzer Festspiele; 8pm; Aug 15, 16, 17

CHICAGO EXHIBITION Art Institute of Chicago Tel: 1-312-4433600 ● Roy DeCarava: A Retrospective: exhibition of more than 200 photographs by Roy DeCarava, ranging in date from 1949 to 1994. The exhibition captures the wide variety of subjects he addressed over the years, from intimate still-lives to portraits of jazz musicians to poignant reflections of the

panorama of daily human life; to Sep 15

POP-MUSIC Rosemont Theatre Tel: 1-708-671 5100 ● Gipsy Kings; 8pm; Aug 16

EDINBURGH EXHIBITION Royal Scottish Academy Tel: 44-131-2256671 ● New Small Works: an exhibition of new small works by members of the Royal Scottish Academy. Artists represented include President William Bellie, Secretary Ian McKenzie Smith, Barbara Balmer and Sandy Fraser; to Oct 6

LOS ANGELES CONCERT Hollywood Bowl Tel: 1-213-851-2000 ● The Hollywood Musical - On Stage And Screen: The Hollywood Bowl Orchestra with conductor John Mauceri perform works from musicals like Singin' in the Rain, The Band Wagon and An American in Paris; 8.30pm; Aug 16, 17

MUNICH EXHIBITION Haus der Kunst Tel: 49-89-211270 ● Grosse Kunstausstellung München: annual exhibition of contemporary art, organised by Munich artists. This year, the central theme of the exhibition is the interaction between painting

and sculpture; from Aug 21 to Oct 20

NEW YORK CONCERT Avery Fisher Hall Tel: 1-212-375-5030 ● Mostly Mozart Festival Orchestra; with conductor Gerard Schwarz, pianist Garrick Ohlsson and soprano Hei-Kyung Hong perform works by J.S. Bach, Mozart and Clementi; 8pm; Aug 16, 17

EXHIBITION International Center of Photography Tel: 1-212-860-1777 ● In Times of War and Peace: The Photographs of David and Peter Turnley: exhibition of over 200 works by David and Peter Turnley, who have photographed every major news event of the past 15 years, including the revolutions in Eastern Europe, the uprising in Tiananmen Square, the dismantling of the Berlin Wall, the inauguration of Nelson Mandela, the Gulf War and the Bosnia conflict; to Sep 8

PARIS EXHIBITION Centre Georges Pompidou Tel: 33-1-44 78 12 33 ● Frédéric J. Kiesler: retrospective exhibition devoted to the architect/artist Frederick Kiesler (1890-1965). The display gives an overview of his architectural designs and ideas and shows a selection of his paintings, sculptures, installations, stage designs and other works; to Oct 21

CONCERT Grosses Festspielhaus Tel: 43-662-80450 ● Wiener Philharmoniker; with conductor Pierre Boulez perform Carra's Impulse and Mahler's Symphony No.7. Part of the Bregenzer Festspiele; 11am; Aug 15, 16 (8.30pm)

VIENNA EXHIBITION Museum des 20. Jahrhunderts Tel: 43-1-7996900 ● Coming Up - Young Art from Austria: exhibition focusing on up-and-coming or relatively unknown young Austrian or Austrian-based artists. The show aims to serve as a counterpoint to Austria's millennium celebrations this year, which include mostly retrospective and historical projects; to Sep 15

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17.30 Financial Times Business Tonight

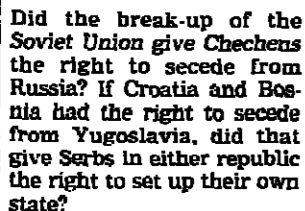
08.30 Squawk Box

10.00 European Money Wheel 18.00 Financial Times Business Tonight

Edward Mortimer

Determined selves

A legal formula for recognising states remains elusive. Some states must make do with less than full sovereignty



Did the break-up of the Soviet Union give Chechnya the right to secede from Russia? If Croatia and Bosnia had the right to secede from Yugoslavia, did that give Serbs in either republic the right to set up their own state?

No issue has generated so much conflict and bloodshed since the end of the cold war as the right of national self-determination. And no one is better placed to speak about it than Professor Danilo Turk, the Slovenian ambassador to the United Nations. As professor of international law at the university of Ljubljana, he was a well-known expert on minority rights long before Yugoslavia broke up. When it did break up it fell to him to make the legal case for Slovenia's independence.

As the representative of a new nation state, Prof Turk can hardly avoid claiming that nations do have an inherent right to statehood. But when he debated the issue at Warwick University he proved very cautious about the circumstances in which that right can be exercised.

Prof Turk noted three approaches to the recognition of new states:

- The self-preservation argument. A people may claim independent statehood when threatened with annihilation.
- The liberal democratic argument. A people has the right to opt out of a state where it no longer feels at home. This is rejected by most commentators, who hold that a people must take account of the needs and rights of others besides itself. But in Prof Turk's view that argument should cut both ways: if no people has an absolute right to secede, no people should have an absolute right to hold another in a union against its will.
- A "comprehensive calculation", taking into account

various factors: the legitimacy of the claim (is "the people" constituted as such?); the ability of the government to represent people (is "the people" truly represented by those claiming statehood in its name?); and the degree of destabilisation the claim creates.

He concluded that the right of self-determination is a "powerful mobilising political principle", but "has not so far been helpful as an organising principle", because "the corresponding obligations of states are not clearly defined". In practice, states "reserve the right to deal with situations on a case-by-case basis", and therefore "we must accept that the level of legal regulation will remain for the foreseeable future rather low".

In other words, might will continue to be the better part of right, and the price of statehood will continue, in most cases, to be conflict and bloodshed.

Is independent statehood the only outcome of national self-determination? It is certainly the most desired. Indeed, in most contexts the very use of the term "nation" to describe a group implies that it has some sort of theoretical right or ultimate aspiration to statehood. If nations do not push their claim it is

Might will continue to be the better part of right, and the price of statehood will continue, in most cases, to be conflict and bloodshed

usually because they regard statehood as unachievable or impracticable. It does not mean they renounce it as an ideal.

Autonomy is often proposed, and sometimes accepted, as a compromise solution. All too often it leads, as Prof Turk noted, "to situations in which no one is satisfied". But it may sometimes be better for everyone to put up with being a bit dissatisfied than for one party to achieve total satisfaction at the expense of total dissatisfaction for another.

Autonomy does not have to take a territorial form, though that may be appropriate when a national minority is the local majority in a particular part of the country.

Gidon Gottlieb, professor of international law and diplomacy at Chicago and author of *Nation Against State* (Council on Foreign Relations, 1993), calls for "fresh thinking about functional territorial arrangements in disputed lands", as well as "new sets of concepts in regard to borders, national homes, citizenship, nationality and forms of association between peoples".

Prof Gottlieb denounces the two "pernicious doctrines" that "national sovereignty must be absolute" and that "in every state there must be one nation". The time has come, he argues, "to come up with new constitutional and doctrinal frameworks to reconcile the notion of absolute sovereignty and state unity and between national rights and claims for separation which threaten states whose integrity is a pillar of international peace".

To debate with Prof Gottlieb I invited Neil McCormick, Regius Professor of Law at Edinburgh and a leading light in the Scottish National Party, hoping that he would insist on the right

of every nation to its own state. In this I was disappointed.

McCormick does indeed favour "independence in Europe" for Scotland, but only because he thinks the EU a less problematic way of "continuing union among the parts of the British Isles" than the federal or quasi-federal UK proposed by the Labour and Liberal Democrat parties. On the more general point, however, he agrees with Prof Gottlieb, rejecting "sovereign-state nationalism" in favour of "liberal nationalism".

This means that he favours individualism, but believes that "a sense of national identity and belonging does for a very large part of the present population of the world play an important part in individuals' self-understanding". They see themselves as members of a nation, and as such are "in principle entitled to effective organs of political self-government within the world order of sovereign or post-sovereign states".

But this principle has to be implemented in ways that do not conflict with other "equally important, or more important, values and principles" and is subject to "constraints of time, place and circumstance". Therefore, while each nation is entitled to organs of self-government, "these need not provide for self-government in the form of a sovereign state".

If only all nationalists were as rational and moderate as that!

This concludes a series on ethnicity, nationalism and statehood, based on debates last winter at the University of Warwick. Articles in the series appeared on July 24 and 31 and August 7. The concluding debate between Sir Leon Brittan and John Redwood was published in the FT on May 16.

LETTERS TO THE EDITOR

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Loyalty and customer relations

From Mr Bob Tyrrell.
Sir, Peter Martin's article, "Good relationship guide", (August 8) leaves out a couple of important things about loyalty and relationship marketing best practice that have emerged in the course of our consulting.

First, many of the schemes masquerading as "loyalty" would be better described as attempts to keep dissatisfied customers. We have identified a customer behaviour spectrum with "voice and loyalty" (they stay with you and tell you if there is something they don't like) at one end and "exit" at the other. Many loyalty schemes successfully protract an intermediary point where individuals are "suffering in silence". This is dangerous behaviour to encourage.

Better than this would be to invest in more convenient opportunities to use "voice". A sense that a company is

accessible can itself ameliorate negative feelings produced by other sources of dissatisfaction.

Second, I agree that an important facet of a loyalty strategy is to increase the costs of switching, but don't do it with "penalty" schemes. Many financial services have traditionally retained customers through this strategy - with dire consequences now that the market is liberalising.

Other examples of penalty schemes are airline frequent flyer points and the new grocery store loyalty cards. These also illustrate the ultimately zero-sum nature of the advantage the schemes produce. Our work suggests that the individuals most likely to take part in one scheme, or to join one store's loyalty programme, are those most likely to be in the principal rival's scheme too. It looks to me like the most promiscuous customers are

the ones being rewarded.

The strategy needs to be to increase the "barriers to exit", but to make them about lost pleasure rather than pain in leaving. Pleasurable barriers are those that arise when our specific needs and personality are recognised by our suppliers. In our Dataculture programme in 1995 we found individuals to be generally very receptive to providing information about themselves to companies with which they deal. When asked what they would like in return for providing this information, 66 per cent of the 1,000 sample surveyed said they would like better service; only 53 per cent cited discounts, promotions and the like.

Bob Tyrrell, chairman, The Henley Centre, 9 Bridewell Place, London EC4V 6AY, UK

Virtue in Argentina

From Prof Steve H. Hanke.
Sir, David Filling reports that Argentina's new economy minister, Mr Rogo Fernández, will be forced to adopt the same policies as his predecessor, Mr Domingo Cavallo ("Different minister, same Argentina", August 8). This is true.

Thanks to Argentina's currency board-like system, the "fine-tuning" of monetary policy is strictly limited, and the fiscal authorities have little room for manoeuvre. Contrary to some experts interviewed, I believe that the system is a blessing, rather than an irksome constraint. The discipline it imposes allowed Argentina to survive the ravages of the tequila effect, register an inflation rate of 1.8 per cent in 1995, and enter a virtuous cycle.

The uneventful transition from Mr Cavallo to Mr Fernández also owes a great deal to Argentina's strict monetary constitution. Just last week, Argentina was able to re-enter the Eurodollar market with a \$500m, three-year, floating-rate note, and its pricing indicates that Argentina's country risk has not changed since Mr Cavallo's departure.

Steve H Hanke, president, Toronto Trust, Av. Corrientes 447 4° Piso (1043) Buenos Aires, Argentina

Turkey's Cyprus policy questioned

From Mr C. Evangelou.
Sir, The murder of a young Greek Cypriot protester by Turkish military and civilian extremists on the ceasefire line in Cyprus ("Fighting mars Cyprus protest", August 12) draws attention to the fact that while freedom of movement is possible throughout all of Europe it remains impossible for Greek Cypriots who were ethnically cleansed

since the Turkish invasion of 1974.

While the Turkish occupation regime was prepared to allow a few non-Cypriot European bikers to enter the occupied zone it insisted that no biker of Greek-Cypriot origin could enter. The bikers' slogan was clearly emblazoned on their T-shirts: "A world without borders". Ankara's message is clearly the opposite.

How can Turkey expect to be treated as a serious nation within the community of European nations when it continually fails to abide by the most basic of principles underpinning the European Union?

C. Evangelou, Lobby for Cyprus, Unity Wharf, Mill Street, London SE1 2BB, UK

Cadbury and Greenbury codes ill-considered

From Mr Andrew Cook.
Sir, In his article on non-compliance with the Cadbury and Greenbury codes ("Small companies fight shy of corporate codes", August 8) William Lewis specifically cites William Cook, and the claim that our non-executive directors lack "independence", implying that the absence of audit and remuneration committees is evidence per se of poor corporate governance.

William Cook is a small public company engaged exclusively in the manufacture of metal components. The board takes the view that it is essential that all directors

have a working knowledge of the business if they are to make a useful contribution.

It further considers that separate remuneration and audit committees are unnecessarily bureaucratic and divisive.

The auditors' post-audit review is sent to each director at his home and any director with a question they would prefer to put to the auditors in private is encouraged to do so. No director is present when his remuneration is discussed or voted on.

These measures are considered to be good and proper practice, irrespective

of the Cadbury and Greenbury codes.

It has to be recognised that both the codes were somewhat hasty and ill-considered, being rushed into being as a result (in the case of Cadbury) of overt boardroom misbehaviour and (in the case of Greenbury) of public opinion (the good old British envy syndrome again). Neither are particularly satisfactory documents and both, it could be argued, create as many difficulties as they solve.

The board of William Cook considers that the interests of the company itself, its customers and its employees must all be taken into

account in satisfying its duty to the shareholders. A cohesive and united board which understands the business and which is not looking over its shoulder at some self-appointed code "policeman" is essential for this.

It would appear that Britain's public company boardrooms are in danger of being coerced into putting code compliance before what their real job is, namely, running their businesses.

Andrew Cook, chairman, William Cook, Parkway Avenue, Sheffield S9 4UL, UK

Scheherazade Daneshkhu on the rise of 'multi-leisure' centres A profitable projection

When Arnold Schwarzenegger, Hollywood superstar, flew to London last week to launch *Eraser*, his latest film, he did something unusual: instead of going to Leicester Square in the West End for the premiere, he went to the Warner Bros cinema in a new "multi-leisure" complex in Finchley, north London.



Muscling into the scene: Schwarzenegger arrives at the Finchley complex for the premiere

It was an endorsement of a concept rapidly being developed in the UK - mainly by the big cinema operators - to provide one-stop entertainment locations. They are the leisure equivalent of out-of-town shopping centres.

The typical multi-leisure centre will have a multiplex cinema and a car park at its core, around which other activities - often bingo, tennis, bowling, nightclubs and fast food outlets - are built.

"We are very bullish about these leisure destinations," says Mr Adam Fowle, managing director of Bass Leisure Entertainment, part of Bass, the brewer and leisure group.

Bass, which recently opened a large bowling centre at the Finchley leisure park, works with property developers and cinema operators such as Warner Bros on developing multi-leisure sites. Bass's Finchley bowling centre includes a micro-brewery, 26 lanes of ten-pin bowling, video games and a Wendy's hamburger franchise.

Last week Rank, which already has six multi-leisure centres, said it would be stepping up investment to have 15 altogether by 2000. It is opening one in an old docklands site in Glasgow next month and two more are due to open next year.

"What we offer is a complete day out," says Mr David Vaughan, managing director of Rank Leisure, part of the UK's Rank Organisation. "We are convinced that is the future for leisure in Britain."

Rank opened the £22m Leisure World complex at Hemel Hempstead, Hertfordshire, a year ago, and says the 11-acre complex - attracting between 30,000 and 35,000 people a week - is earning profits that are three years ahead of projections.

But the Hemel Hempstead Leisure World is unusual because the land and almost all the businesses on it are operated by one company under one roof.

The complex is unlikely to win any architecture awards: inside an enormous shed on a huge car park customers can find an Odeon cinema, a Pizza Hut and bars with live music, pool tables and video games.

Multi-leisure centres are proving a commercial success, the operators say, because people tend to stay there longer than in a single place of entertainment, and to spend more because there are more things to do. Rank says people stay an average of three and a half hours in the Leisure World building and spend money on two or more of the entertainments.

Mr John Garrett, managing director of Rank's recreation division, says the cinema is essential for such multi-leisure centres to attract a broad spectrum of customers. "If we didn't

have the cinema we wouldn't get the older higher socio-economic group," he says. "And this year we've had films like *Sense and Sensibility* which are right up their target alley." The centre, which also includes ice skating, a fun pool and a play centre for children, attracts families and younger children in the day while two discs draw in teenagers at night.

Mr Fowle of Bass believes the target market of families and other customers between the ages of 20 and 35 appreciate multi-leisure centres partly because of their security: they do not involve going into town centres late at night.

Mr Bob Tyrrell, chairman of The Henley Centre, the forecasting group, says the appeal of multi-leisure centres fits in with leisure trends. Pressures on time - and safety fears - are contributing to more people spending more time at home. "But when people do go out, they tend to spend longer away from home," he says.

Mr Tyrrell believes the centres also cater to an increasing tendency for people to decide where to go before choosing what to do. "Multi-leisure facilities allow us to do things while we are out, instead of us going out to do things."

Although Rank says the ideal is to have all the entertainment in one shed, instead of moving from building to building, environmental considerations are making it difficult to obtain planning permission for such large complexes. Leisure World took one year to build but five years to go through the planning process at Hemel Hempstead.

Both Rank and Bass are also looking to develop multi-leisure centres in mainland Europe, where similar schemes do not yet exist. Mr Fowle says although elements of the UK multi-leisure centre exist in the US, "they tend to be big cinema complexes with less to do on the site - or to be shopping malls with entertainments".

"There is no doubt it's going to happen in Europe," says Mr Garrett. "But it's got to create its own ambience. In Spain it would have to have outdoor life, and in Italy - where the whole family likes to do the same activity - you can't put a nightclub in and have nowhere for mama and papa to go because it just won't work." For the time being, most of the multi-leisure centres visited by the likes of Arnold Schwarzenegger in Europe will be in the UK.

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Wednesday August 14 1996

Frankfurt v le franc fort

Seems like old times. The Bundesbank confounds hopes of a cut in German interest rates at its July council meeting. And the French franc spends August coping with the consequences.
The similarities between this and previous summer bouts of franc weakness will not have been lost on Mr Jean-Claude Trichet as he seeks, once again, to persuade the speculators that they cannot win. If anything, the governor of the Banque de France must be even less likely to abandon his commitment to the franc fort today than he would have been a few years ago. But that does not make France's immediate economic prospects any brighter.
Investors are worried about the dual threat of a deteriorating public balance sheet and a stagnant real economy. Last week Prime Minister Alain Juppé reiterated his pledge that he would do everything necessary in this year's budget to achieve a 3 per cent of GDP general government deficit next year following a 4 per cent shortfall in 1996. Yet few in the market share his confidence.
A combination of poor revenue growth and spending overshoots has pushed Mr Juppé into promising to announce a further FF60bn (€8bn) in public spending cuts in the autumn. The public sector unions are gearing up to oppose this further bout of austerity, and in the current climate they may get popular support. Worse, even if the cuts are achieved, they will not help France come close to its Maastricht target if the economy continues to stagnate.
Lower German interest rates would allow some room to ease the pain with easier monetary

policy. The Bundesbank has been promising this kind of jam for some time; but always tomorrow. It offered the same hope yesterday in its monthly report for August, stating coyly that it would "carefully observe the developments of M3 in the next months to determine whether it and monetary policy conditions present room for lower money market rates".
The Bundesbank should stop hinting and start delivering. There are solid, domestic, arguments for it finally to announce a reduction in the German repo rate from its present level of 3.3 per cent when the council meets later this month. Inflation is subdued, at 1.6 per cent in July, and looks set to remain so. The Bundesbank now specifies this to be the average rate for the year as a whole. Equally, it predicts that the annualised rate of growth of German broad money (M3) will move back within its 4 to 7 per cent target range during the second half of this year.
These arguments are not much weakened by recent signs that the German economy is recovering faster than previously thought - especially with the German government itself heading for another round of budget reductions in the autumn.
France, then, has every right to expect a helping hand from Frankfurt. The trouble is that, to judge by the French economy's recent dire performance, crumbs from the Bundesbank may not be sufficient to get France out of the doldrums and into Euro. Investors have lost a lot of money betting against the franc fort, and are likely to do so again. But their gloom about the economy is not at all misplaced.

New Satan

Satan, the Bishop of Oxford has opined, is not a fit person to be employed in a Conservative election campaign.
One may question the good taste of the latest Tory advertisement, which showed Mr Tony Blair, the Labour leader, peering out of a kind of Satanic mask. One may question the wisdom of attacking Labour with such a negative slogan as "New Labour, New Danger".
But the bishop is foolish to bring in theology. Satan has long been redundant in the Church of England, partly because he should not be feared, and partly because he is not employed in politics. His function, even in hellfire sermons, was to terrify those who had strayed from the right. Tory strategists have a similar purpose. They are appealing narrowly to the lost Tory souls who, since the 1992 election, have listened to the temptations of Mr Blair's New Labour and, according to the polls, believe that his soul is now uncorrupted by socialism.
It is a pity that this argument is not being conducted on a higher intellectual plane, or indeed on any intellectual plane. Yet the fundamental issues are by now familiar to most UK voters. They are: can New Labour be believed in pro-

jecting a theological conversion from old socialism? And what exactly would this mean?
Mr Blair has so far concentrated his fervour on the first of these questions, leaving the details tantalisingly vague, or shrouded in an ambiguous litany of phrases such as "the stakeholder society". As New Labour seeks to establish the credibility of its brand image, the Tories see little option but to attack its very identity.
The result, so far, has been the most negative and unhelpful campaign in recent electoral history. Research after the last US presidential election suggested that negative campaigning can be effective, but that it leads to a lower turnout on election day.
This suggests that if both parties market themselves like soap, each saying the other leaves us dirty, voters will simply stop listening. The British political tradition includes many examples of abuse and underhand campaigning, but it also shows that people respond well to vigorous and substantial debate. The Tories might also remember that in the 1995 election campaign Winston Churchill compared Labour to the Gestapo.
He was kicked out of office.

Power play

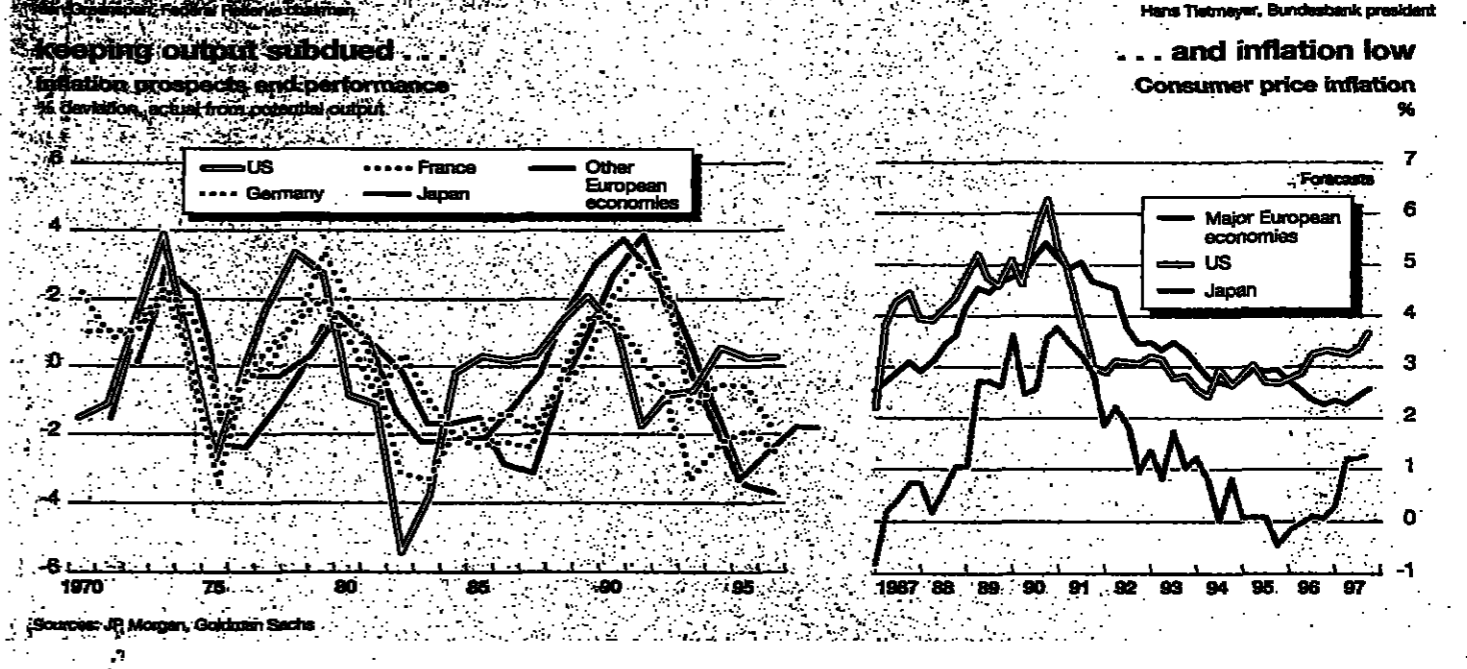
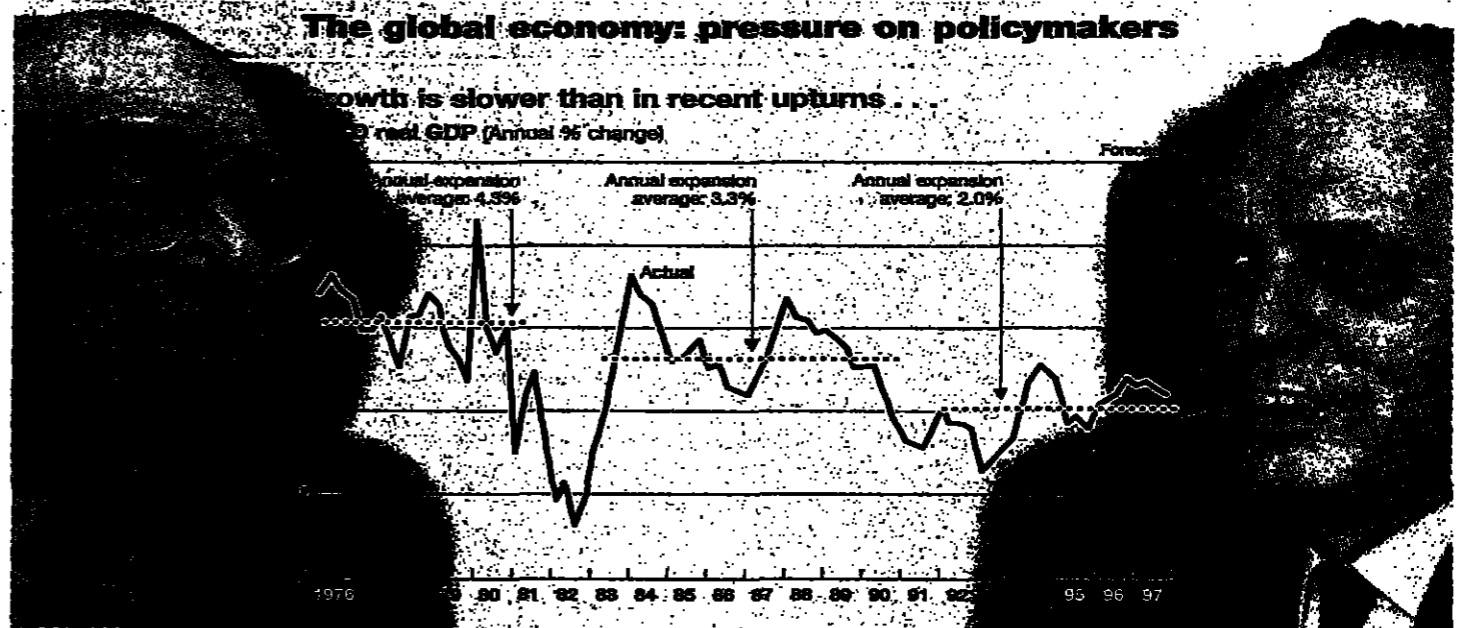
Professor Stephen Littlechild, the UK electricity regulator, is having a busy August. Yesterday he announced tough new price controls for the National Grid - a welcome new discipline. More important to the market, however, was his proposal last week that he assume new powers to accelerate progress towards full retail competition between regional electricity companies in April 1998.
Since competition in the transmission and generation of power is very weak, he has little choice but to force the pace at the retail end. It is unfortunate that regulatory action is necessary to open this market, but without it the industry is unlikely to meet the government-imposed deadline. The fact that Mr Littlechild is acting in such an improvised way highlights serious shortcomings in the industry's present structure.
Understandably, the 14 electricity supply companies have little enthusiasm for greater competition. When all consumers are free to choose their supplier and new suppliers can enter the market, the existing companies' oligopoly will be threatened. Moreover, potential new suppliers include groups such as supermarkets which are much better at marketing than

the electricity companies. Having failed to cajole the industry into action, Mr Littlechild now proposes to include in the electricity companies' licences terms designed to prevent companies dragging their feet. Groups which fail to meet deadlines for preparation, including investing in computers, meters and trials, will be asked to contribute to the costs of work carried out by rivals. Groups which fail to provide adequate access to power for new market entrants will be required to supply it at disadvantageous terms.
This mechanism will not by itself guarantee the creation of a fully liberalised electricity market. Mr Littlechild also needs more and better-qualified staff to work with the industry on the 1998 programme.
Competition in the retail market, combined with firm control of grid prices and generating costs, would bring significant benefits to consumers. For this reason, the government should remind power companies that the successful launch of competition in 1998 is in their own long-term interests. If they fail, any future government would come under strong pressure from consumers to take stronger action against them.

Tempted to loosen the belt

The industrialised countries are in danger of sacrificing hard-won economic gains to buy off popular discontent, says Robert Chote

Many observers on Wall Street dismissed Mr Bob Dole's proposal last week for a \$548bn tax cut package as a populist gesture from a presidential hopeful fast running out of hope. Fiscal purists scorned the idea that he could finance his proposals with ill-defined reductions in government spending and an implausible acceleration in economic growth.
Whether Wall Street is forced to take Mr Dole any more seriously after the re-election of the Republican convention in San Diego remains to be seen. But his fiscal proposals are important because they reflect frustration with economic performance that extends beyond the US.
"With politicians increasingly clueless about how to deal with worker angst, the quick fix of the so-called growth dividend seems all the more alluring," argues Mr Stephen Roach, economist with Morgan Stanley in New York.
In the US, Mr Roach sees an emerging bi-partisan consensus, in which Republicans and Democrats alike will be tempted by the apparent "death" of inflation to use fiscal activism to boost the feelgood factor. He sees parallels in Europe and Japan as well, where it is unclear whether governments will deliver promised cuts in budget deficits.
The idea that fiscal belt-tightening may be coming back into vogue is not, however, as far fetched. After all, the Organisation for Economic Co-operation and Development predicts that every leading industrial country has a structural budget deficit between this year and next.
In Europe, most governments are committed to further cuts in their borrowing by the terms of the Maastricht treaty. This sets a target of reducing budget deficits to less than 3 per cent of gross domestic product.



pay-off for virtuous behaviour? Mr Philip Suttle, at J.P. Morgan in New York, predicts average economic growth of about 2 per cent a year in the industrialised countries during this upturn, compared with 3.3 per cent in the 1990s and 4.3 per cent in the 1970s. Small wonder that Mr Dole sees political mileage in a promise to lift the US growth rate from 2.3 per cent or so to a sustainable 3.5 per cent.
One reason for people's disappointment is that peddlers of the anti-inflation orthodoxy have long claimed that low inflation will itself encourage growth. The reasoning is straightforward: low and stable inflation encourages investment and helps the economy work efficiently by making changes in relative prices clearer to businesses and consumers.
The theory may be persuasive, but the facts do not fit. Mr Michael Sarel at the IMF concluded in a recent study that inflation only begins to damage growth when it reaches 8 per cent - well above the rates experienced by most industrial countries in recent years. If anything, his results imply that trying to reduce already low inflation impedes economic activity rather than encouraging it.
"There is a sense that the effort to kill inflation may have gone too far," argues Mr John Llewellyn at Lehman Brothers, London. Mr Suttle at J.P. Morgan argues that if sound budgetary

and interest rate policies are failing to yield a growth dividend, then policymakers will have to give more attention to structural reforms which might encourage savings and investment.
In advocating cuts in marginal rates of personal and capital gains taxes, the Dole proposals already nod in this direction. But Mr Suttle argues that raising enough money to pay for the sort of tax reform that would make a difference to economic growth would demand an assault on the costs of welfare, healthcare and social security which mainstream politicians can neither advocate nor deliver.
In the meantime these politicians have elections to win. And the resulting short-term uncertainties about policy are already causing jitters in financial markets.
In Europe "the current combination of lacklustre growth prospects, together with impending policy deadlines, has begun to arouse investor worries", according to Mr John Lipsey at Salomon Brothers. "Popular support for new fiscal measures may not be forthcoming."
These worries are typified in France, where economic growth has stalled in the second quarter, consumer spending is weak and the franc has been undermined by fears that both fiscal and monetary policy might unravel.

The franc's weakness was triggered by rumours that the government might be about to admit defeat in its battle to hit the Maastricht budget deficit target. Gossip that President Jacques Chirac may be trying to destabilise Mr Jean-Claude Trichet, the governor of the Bank of France, because of frustration with his reluctance to cut interest rates, has only made things worse.
Mr Roach at Morgan Stanley argues that central bankers may in the end turn out to be the only line of defence against an increasingly pro-growth tilt to fiscal policy. He took comfort from the Bundesbank's refusal to cut German interest rates ahead of its summer break. But he fears that interest rate policy is already "behind the curve" in the US and Japan, with policymakers not raising rates quickly enough to forestall inflationary pressure.
The central banks are in a difficult position. The international financial institutions have been saying for months that they expect economic activity to pick up in the second half of the year. But the second half is here now and the prospects are still not clear.
The bond market's expectations of interest rates have wobbled most noticeably in the US, where expectations that the Federal Reserve would raise rates peaked after June's employment data, only to be calmed by the Fed chairman's Humphrey-Haw-

kins testimony to Congress, downbeat surveys of manufacturing and weaker labour market data for July.
Most analysts now expect the Fed to leave interest rates unchanged at the August 30 meeting of the Federal Open Market Committee. But with consumer confidence high and income growth strong at the end of the second quarter, it is quite possible that the US economy will quickly regain momentum and that expectations of rates could change again.
The outlook for interest rates is also uncertain in Japan. Economic recovery is expected to remain robust with little sign of inflation. But rates are so low that a tightening would not be a surprise sometime in the autumn. Germany looks on course to grow at about its long-term trend rate through the rest of this year, with the Bundesbank expected to keep rates low.
Mr George Magnus at UBS in London expects the economic cycles of the three big blocs to become better synchronised as time goes by. If that happens, then central banks will have to be wary of a cyclical strengthening in inflation at a time when governments may already be suffering a loss of fiscal nerve. As Mr Magnus warns: "The longer the feedback factor persists, the more likely it is that policy mistakes will come to the fore."

OBSERVER

Tea with the prince

It is a pity that this argument is not being conducted on a higher intellectual plane, or indeed on any intellectual plane. Yet the fundamental issues are by now familiar to most UK voters. They are: can New Labour be believed in pro-

Sinking feeling

It was, as they say, an irresistible offer - a naval destroyer that cost \$200m when it was built in 1983, going for less than 10 per cent of that price. So the officials running the British Cayman Islands colony are now the proud possessors of a Russian destroyer, purchased from neighbouring Cuba for \$20m.
Not that the Caymanians are planning to sell it, you understand. Instead the idea is to sink the ship in 35 metres of water off the shore of Cayman Brac Island. The bulk will then be used by scuba divers, enhancing the islands' tourist attractions.
But what will the Americans have to say? The deal fits in the face of US threats to punish anyone doing business with Cuba. And all the Caymanians will have to do is repel any boarders with a soggy gunpowder...

Fertility mission

After mind-boggling stunts in the movie Mission Impossible, American actor Tom Cruise at least won't have to tax himself any further against the German glossy magazine Bunte, which falsely alleged a few weeks ago that he was sterile.
Bunte yesterday admitted that "a substantial part" of an interview with Cruise was incorrect. Cruise's lawyers, who had threatened a \$90m lawsuit, insist the superstar is not sterile, and that his sperm count is

Korean beef

Who would be a South Korean tourist?
Prime Minister Lee Soo-sung has told government ministries to crack down on South Korean tourists who damage the dignity of their country by engaging in indecent behaviour in foreign countries. This means they'll have their passports confiscated if they are caught eating endangered animals on overseas fairs.
The move comes hot on the heels of the arrest last month of a group of South Korean tourists in Thailand, who were caught eating wild bear. Much more of this and soon they'll be reduced to British beef.

100 years ago

Ministerial Crisis in Bulgaria Sofia: A serious cabinet crisis has arisen, the War Minister, Colonel Petroff, and the Minister of Commerce and Agriculture, M. Natchovitch, have tendered their resignations in consequence of a difference of opinion with their colleagues respecting the re-admission into the army of officers who have served in Russia, and also respecting the conclusion of a commercial treaty with Austria-Hungary. It is thought that Mr Stoiloff, the Premier, may also resign. (Dalsiel)

50 years ago

Rand strike fails to spread Johannesburg: It was officially started by the Chamber of Mines to-day that 32 of the Rand's 45 producing gold mines are not affected by the native labour strike, which still involves 45,000 to 50,000 natives out of 300,000. There is total stoppage on eight mines and partial stoppage on two. The Rand Daily Mail, commenting on the strike, says: "It is a foolish strike, firstly, because the native mine-workers are much better off than most natives in Southern Africa and, secondly, because the demand for a daily wage of 10s cannot be met as it would mean the closing down of nearly all the Rand gold mines."

COPIE Interleasing CALL 0345 585840 HOW DO YOU CONTROL THE COSTS OF CARS, IF THEY KEEP MOVING?

Move may follow drop in city violence Karachi set to reverse ban on mobile phones

By Farhan Bokhari in Karachi Pakistan's commercial capital Karachi is expected to rebound to the ringing and beeping of mobile phones and pagers once again amid signs the government is poised to lift a city-wide ban imposed for security reasons last year.

State security agencies were particularly concerned that they were unable to monitor calls made on digital telephones provided by Pakistan Mobile Telecommunications, a joint venture of US-based Motorola and Safi Telecom, a local company.

State security agencies were particularly concerned that they were unable to monitor calls made on digital telephones provided by Pakistan Mobile Telecommunications, a joint venture of US-based Motorola and Safi Telecom, a local company.

Succession talk grows as Suharto promotes son-in-law

By Manuele Saragosa in Jakarta President Suharto yesterday promoted his son-in-law for the second time in eight months, fuelling speculation that he is being groomed to succeed the ageing Indonesian leader.

Lonrho merger plan

Continued from Page 1 have given Impala access to low cost, close-to-surface reserves at Lonrho's Western Platinum and Eastern Platinum operations next to its own mine.

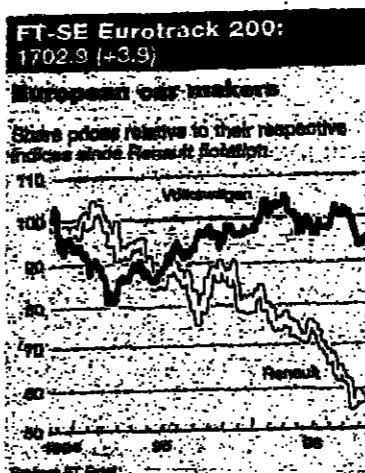
Credit Lyonnais' rescue vehicle to get cash injection

By Andrew Jack in Paris The French government said yesterday that it planned a second recapitalisation of the state-backed company created as part of the rescue package for Credit Lyonnais to help it absorb the heavy losses it is incurring.

years, it risked exceeding the FF500m cap to the restructuring package approved by the French parliament and European competition authorities.

THE LEX COLUMN Sparkling diamonds

The diamond market has got itself in an unnecessary tizzy. De Beers, which dominates the industry, has seen its shares fall 10 per cent over the past month - although it is still up by about 60 per cent over the past 18 months.



another poorly performing anomaly in the portfolio; but this could, and should, be profitably sold.

European cars

The best and the worst among Europe's car manufacturers were on display yesterday. Stuttering along in the slow lane is Renault, which announced a 3 per cent decline in first-half turnover.

National Grid

The UK's utility regulators are certainly sharpening their teeth. The electricity watchdog's proposed price cut of 20 per cent to 26 per cent at National Grid comes hard on the heels of tough action by the gas and Northern Irish electricity regulators.

BOC Group

BOC Group's management yesterday presented a powerful case study on the advantages of sticking to one's knitting.

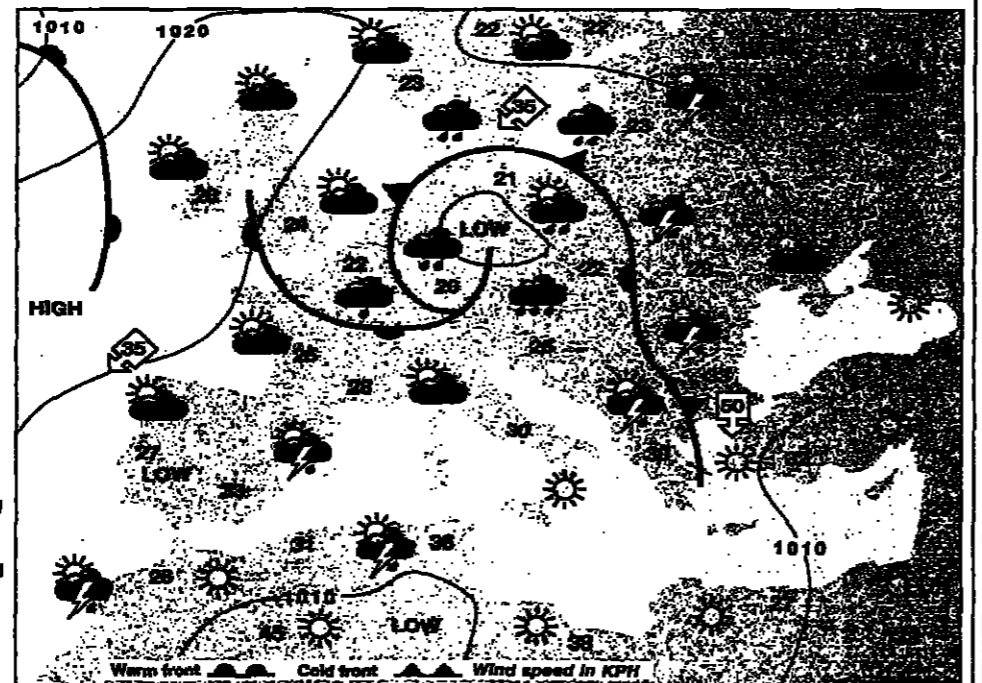
Election pledge

Continued from Page 1 acknowledged his own disagreements with tighter immigration policy, but said that did not present a problem.

FT WEATHER GUIDE

Europe today

Rain will fall east of the Benelux from western Germany, across Denmark and southern Sweden towards Poland and the Balkans.



Five-day forecast

The rain over western Europe will gradually move east. A high pressure area will build over the British Isles and the Benelux causing dry and warm conditions in most of western Europe.

TODAY'S TEMPERATURES

Table with 2 columns: Location and Temperature (Maximum, Minimum). Locations include Abu Dhabi, Accra, Algiers, Amsterdam, Athens, Atlanta, B. Aires, B.ham, Bangkok, Barcelona, Caracas, Cardiff, Casablanca, Chicago, Cologne, Datar, Delhi, Dubai, Dublin, Edinburgh, Frankfurt, Geneva, Gibraltar, Glasgow, Hamburg, Helsinki, Hong Kong, Honolulu, Jakarta, Jersey, Karachi, Kuwait, L. Angeles, Las Palmas, Lisbon, London, Luxembourg, Lyon, Madrid, Faro, Frankfurt, Geneva, Gibraltar, Glasgow, Hamburg, Helsinki, Hong Kong, Honolulu, Jakarta, Jersey, Karachi, Kuwait, L. Angeles, Las Palmas, Lisbon, London, Luxembourg, Lyon, Madrid, Managua, Manila, Manchester, Milan, Melbourne, Mexico City, Moscow, New York, Nice, Naples, Nassau, New York, Niue, Nicosia, Oslo, Paris, Perth, Prague, Rangoon, Reykjavik, Rio, Rome, Sao Paulo, Seoul, Singapore, Stockholm, Strasbourg, Sydney, Taipei, Tangier, Tel Aviv, Tokyo, Toronto, Vancouver, Vienna, Warsaw, Wellington, Winnipeg, Zurich.

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FINANCIAL TIMES COMPANIES & MARKETS

LEGAL DEFINITIONS mediation n. 1 gathering of camera crews outside celebrity's home (after minor indiscretion) 2 attempt by a third party to make the two sides in an argument agree.

Wednesday August 14 1996

IN BRIEF Den norske Bank falls 9% midway

Den norske Bank, Norway's largest bank, reported a 9 per cent drop in first-half profits from Nkr1.68bn to Nkr1.5bn (\$234m) - a smaller decline than analysts had predicted but said underlying profits excluding write-backs against loan losses had grown 10 per cent.

Deere reaches record in third quarter Deere and Company, the US maker of agricultural and lawn care equipment, reported earnings in the third quarter up 13 per cent to a record \$204.4m, or 79 cents a share, and said expanding global demand would continue to strengthen the company's outlook.

Credit Anstalt moves closer to sell-off The privatisation of Credit Anstalt, the Austrian bank, moved closer as First Austrian Savings Bank reached agreement in principle with its consortium partners on a joint holding group for Credit Anstalt and First Austrian.

UK retailer stands by pay structure Dixons, the UK electrical retailer, has refused to change its controversial triple remuneration committee structure and Sir Stanley Kalms, chairman, has warned shareholders of "increasing demands for management by prescription" because of corporate governance rules.

QA reports smaller than expected fall General Accident, the UK general insurer, dispelled some of the gloom over the country's composite insurers with a smaller than expected fall in first-half operating profits from £237m to £194m (\$302.5m).

Facia creditors told of intergroup deals The collapse of the UK's Facia resulted from concerns about "significant" transactions between the retail group and companies owned privately by its chairman, Mr Stephen Hincliffe, creditors were told.

Australian wool producers seek leniency Australia's main wool growers' body has called for a more flexible wool release scheme, despite repeated statements by the federal government that it does not want to change the existing legislated timetable for selling off the country's large wool stockpile.

Table with 2 columns: Company Name and Share Price. Includes entries like ABN, Anglo, Alliance Resources, Anglian Water, BOC, BSHS, Bank of East Asia, CEF, Capel Aluminium, Cogema, Commercial Union, Credit Anstalt, Credit Lyonnais, De Beers, Deere & Co, Den Norske Bank, Deutsche Telecom, Dbscom, Dresdner Bank, Dyckerhoff, Essex/Suffolk Water, Facia, First Austrian, Flextech, Ford, General Accident, General Cable, Goldman Sachs, HSC, Hunter Douglas, ICB.

Market Statistics table with columns for various market indices and their values. Includes FTSE 100, Nikkei, Dow Jones, etc.

Chief price changes yesterday table with columns for company names and price changes. Includes entries like Anglo, Anglo Irish, Anglo Pacific, Anglo Siam, Anglo Texaco, Anglo Transport, Anglo Water, Anglo World, Anglo World Services, Anglo World Wide, Anglo World Wide Services, Anglo World Wide Services, Anglo World Wide Services.

De Beers upbeat on Russian deal

De Beers, the South African group which controls about 60 per cent of the world's rough (uncut) diamond market, yesterday said it was confident it could finalise a contract for Russia to join the diamond cartel organised by its Central Selling Organisation.

Mr Gary Ralfe, managing director of the CSO, said the negotiations had been held up by the Russian presidential elections but the Russians now appeared keen to complete a deal. It was not possible to say how long this would take.

De Beers' executives were less sanguine about conditions in the Indian diamond cutting industry, which had been plunged into a crisis of confidence by the decision of the partners in the Argyle mine in Australia to quit the cartel.

small, cheap diamonds in India had fallen by about 20 per cent. Mr Nicky Oppenheimer, CSO chairman and deputy-chairman of De Beers, said the organisation would not start a price war. But buyers of small diamonds now had two suppliers and were holding back to see what would happen.

Where is the growth going to come from? Mr Julian Ogilvie Thompson, De Beers chairman, described Argyle's decision, in the wake of a record year of diamond sales, as "a rather selfish act. If everybody did that, we wouldn't have any stability", he said.

Foreign growth aids big VW rise

Volkswagen, the German carmaker, more than doubled net profits in the first half, helped by strong sales growth outside Germany and a weakening D-Mark exchange rate.

Europe's largest carmaker delivered a record of almost 2m vehicles in the six months to June 30, 12.6 per cent more than a year earlier. It raised net profits from DM11.8m to DM28.8m (\$190.5m), broadly in line with expectations.

Volkswagen said it stuck to the forecast by Mr Ferdinand Pisch, chairman, of an improvement in 1996 over last year's DM28.8m net profit.

Mr Klaus-Jürgen Meisner, motor analyst at Deutsche Morgan Grenfell, said the medium-term outlook was good. "This is one of the few German carmakers that managed to increase its margins. The market has held up and the exchange rate [the weakening of the D-Mark against other currencies] has also helped."



Ferdinand Pisch: stands by forecasts of rise for full year

16.7 per cent to 17.2 per cent. Total turnover grew 13.6 per cent to DM56.5bn. The main contributor to the increase in profits was the core German unit, which raised profits from DM166m to DM230m. And, the German luxury carmaker, VW do Brazil, the South American unit, and the financial services arm also contributed to profits, although VW did not specify by how much.

Bank of East Asia, cement 1996 Int



David Li, chairman of Bank of East Asia, presenting the group's results in Hong Kong yesterday. The group posted net earnings of HK\$46.92m (US\$109.5m) for the six months to June 30, up 23.3 per cent.

BOC shares slide after warning

BOC, the UK industrial gases producer, delivered a double blow yesterday with warnings of a collapse in orders at its lucrative pump business, and further declines in healthcare.

Mr Michael Evans, chemicals analyst with Kleinwort Benson, said BOC shares were among the cheapest in the sector, yet the company's outlook was among the brightest.

profits in gases reached £200.5m (\$272.7m) on sales of £2.1bn (\$2.95bn). Mr Evans said a continuing shift to long-term take-or-pay contracts at fixed prices promised even better returns in 1997, with gases likely to account for 77 per cent of group profits.

At UBS, Mr Bishop and Mr König are expected to help reinforce the bank's position, which is already strong in billion and precious metals trading. Its gold refinery in Switzerland produces bars which are accepted in gold markets around the world.

PowerGen plans £35m wind farm on coast of UK

PowerGen, the UK generating group, is planning to build the world's largest offshore wind farm just two miles from the British coast.

With a total generating capacity of 37.5MW, the farm could meet the daily electricity needs of a town of 56,000 people.

There are just three offshore wind farms in the world - in Scandinavia and the Netherlands.

Mr David Farrier, project development manager, said: "The Yarmouth site, turbine foundations and 1.5MW machines proposed around the construction and operational costs will be seen to be significantly lower than previous UK studies have predicted."

PowerGen is confident the scheme will be approved by the government. It is in the process of signing an agreement to use Scroby Sands with its owner, the Crown Estate, and has applied for consent to proceed with the project under the Coast Protection Act. "We have done our homework and looked at the environmental issues and we feel there should be no objection to the development," said Mr Rupert Harris, managing director of Ecocent, the consultancy advising PowerGen and Vestas, the Danish turbine manufacturer, which is jointly funding the project.

However, the wind farm could face local opposition. Scroby Sands is known as an occasional habitat for seals, and environmentalists will be concerned that the scheme will interfere with their natural habitat. There may also be objections to the physical appearance of the farm, with its 25 turbines clearly visible from Great Yarmouth.

Mr Harris insists that the wind farm would be environmentally clean and safe. "The worst that can happen to us is that we can fall down."

Several engineering companies have been asked to submit tenders to build the turbine platforms, and Ecocent says that if government approval is granted, the farm could be generating power in 1998.

UBS hires top trader for metals job

Goldman in March to be executive director responsible for commodities and precious metals trading at the US investment bank's J Aron & Co subsidiary in London, will be reunited at UBS with Mr John Bishop, with whom he had worked at N. M. Rothschild, the London investment bank.

Mr Bishop now heads UBS's global commodities activities, and Mr König will become his deputy in charge of trading. Goldman played down the significance of Mr König's departure. It had drafted in traders from New York to bolster its London operation.

Mr König, who moved to Goldman in March to be executive director responsible for commodities and precious metals trading at the US investment bank's J Aron & Co subsidiary in London, will be reunited at UBS with Mr John Bishop, with whom he had worked at N. M. Rothschild, the London investment bank.

Large vertical advertisement on the left side of the page, partially obscured by other text. Includes phrases like 'SIDE IS', 'MENT IN', 'R VOTE OF', 'FIDENCE', and 'MERSEY'.

COMPANIES AND FINANCE: EUROPE

NEWS DIGEST

Strong advance at Hunter Douglas

Hunter Douglas, the Dutch window covering and architectural products group, raised net profits by 25 per cent to F162.9m (\$38m) for the first half of 1996, from F150.4m in the year-ago period. The growth stemmed largely from North America, where the economy was strong and Hunter Douglas raised its market share in window covering. The group also benefited from the stronger dollar and low interest rates. But sales and profits in Europe fell because of "slow economic conditions", particularly in Germany and France.

The group said it had won "substantial contracts" in China to supply wall and ceiling panels to several airports. Hunter Douglas regards Asia as a key area of growth, but said yesterday it intended no acquisitions, as opportunities for these were "virtually absent" in Asia.

Sales increased 10 per cent to F1.11bn, with almost a third of the rise coming from positive currency effects. Net profit per share rose 24 per cent to F13.55 (F12.85 adjusted). Hunter Douglas, which is 49 per cent family owned, expressed "optimism" about the rest of the year. But the shares fell 2 per cent yesterday to F118.50 on profit taking. Analysts are forecasting F155m in full-year net profits.

Simon Kuper, Amsterdam

Luxottica charges settled

Three executives of Luxottica, the Italian spectacles frame manufacturer, and a relative agreed to pay \$534,000 to the US authorities to settle insider dealing charges relating to the company's \$1.4bn takeover last year of US Shoe, the US retailing group. The SEC said the four had settled a civil suit by giving up \$262,000 in trading profits and paying \$262,000 in fines and interest, without admitting or denying wrongdoing.

Those charged were Mr Paolo Mollo, 33, a production systems manager, who learned of the offer during a due diligence review by investment bankers; Mr Andrea Fiabane, 34, manager of Luxottica's European operations, whose office was next to Mr Mollo's; Mr Giuseppe Fiabane, 40, Mr Andrea Fiabane's brother; and Mr Giorgio Piccinini, 60, administrative manager of Luxottica's Milan unit, who overheard the offer being discussed.

Richard Tomkins, New York

Securitas boosts sales 27%

Securitas, Europe's leading security group, announced net profits of SKr161m (\$24.19m) for the first half to June 30, up from SKr140m in the comparable period. Sales were SKr4.29bn, up from SKr 3.61bn. The Swedish company said sales increased by 27 per cent from a year earlier adjusted for currency effects. Of that, 20 percentage points was the result of acquisitions, and 7 percentage points organic growth. Pre-tax profit increased by 13 per cent to SKr228m (21 per cent if adjusted for currency effects).

The company repeated its prediction of an increase of around 20 per cent in 1996 profit compared with a year earlier. The prediction is based on a stable krona in the second half.

AFX News, Stockholm

SGL Carbon upbeat

SGL Carbon said pre-tax profit in the six months to June rose 51 per cent, from DM103m a year earlier to DM156m (\$106.74m). Sales rose 13 per cent from DM776m to DM872m. The group said the growth was due to the first-time consolidation of Polish-based Polgraph and French-based Vicarb, without which sales would have grown 4 per cent. It said it expects higher sales and earnings in the full year. Mr Robert Koehler, chairman, said the outlook for the second half "remains good".

AFX News, Frankfurt

Makhteshim advances

Makhteshim Group, the Israeli generic agrochemicals manufacturer, yesterday reported net income up 12 per cent in the first half of 1996, from \$20m in the same period last year to \$23m, as the company rebounded from a slow first quarter. Net income in the second quarter jumped 40 per cent to \$11m, compared with \$8m in the same period of 1995. Mr Daniel Porat, Makhteshim vice-president, attributed rising profits to declining raw materials prices for the group's line of crop-protection chemical products. Sales for the first six months were up 11 per cent, from \$268m last year to \$297m.

Avi Machlis, Jerusalem

Lafarge vies for control of Polish cement producer

By Christopher Bobinski in Warsaw

A modern Polish cement plant with a 7 per cent share of the domestic market is at the centre of a bitter tug of war between Lafarge, the French construction materials company, and Dyckerhoff, a German cement producer.

The row over control of the plant, Malogozsca, comes as foreign investors scramble to secure control of Poland's last swathe of domestically-held cement works.

The race for control has also provided handsome returns for the 15 national investment funds, set up last year under Poland's mass privatisation scheme.

These funds owned the four plants in question, which make up one-fifth of Poland's 15m tonne cement-producing capacity.

The government had earlier sold the remainder of the sector to foreign strategic investors.

Lafarge has accused the No 14 fund of failing to fulfil an agreement to sell to the French company its 33 per cent stake in Malogozsca for \$27m.

Instead, the fund has agreed to sell the equity to Dyckerhoff, for \$35m. This has left Lafarge with 41 per cent of Malogozsca, which it had earlier purchased from the employees.

Under the mass privatisation programme, each fund holds lead stakes of 33 per cent in about 34 companies and 1.9 per cent in each of the remaining enterprises in

the scheme, which covers 512 companies. The impasse at Malogozsca leaves the state treasury, which owns 25 per cent, with the deciding vote should the two shareholders differ.

Dyckerhoff, meanwhile, says it wants to work as a joint shareholder with Lafarge.

However, the purchase has blocked Lafarge's plan to win control of one-fifth of Poland's cement-producing capacity.

The French company last year paid the government \$46m for a 75 per cent stake in the Kujawy works, and purchased a 60 per cent share in Wierzbica from the national investment funds for \$30m.

Shortly before moving in to Malogozsca, Dyckerhoff snatched the neighbouring Nowiny works from Rumel, a Turkish investment group.

The German producer outbid Rumel at the last moment, paying \$64m for a 60 per cent stake. The works had been attracting offers of about two-thirds of this sum before Rumel entered the race.

Rumel switched its attention to the Nowa Huta cement works. RMC, the UK construction materials group, had signed a preliminary agreement for a joint venture with the Progress Fund which gave RMC the prospect of control.

However, Rumel forced Progress' hand by first buying a 60 per cent stake from other funds for \$21m, and then offering \$20m for Progress' lead stake - an offer RMC failed to match.

Write-backs hold Den norske Bank fall to 9%

By Greg McIvor in Stockholm

Den norske Bank Norway's largest bank, reported a 9 per cent drop in first-half profits, but said underlying profits excluding write-backs had grown by 10 per cent.

The decline in pre-tax profits including credit losses, from Nkr1.68bn to Nkr1.5bn (\$284m), was not as steep as analysts had predicted, due in part to higher than expected write-backs against loan losses. DnB's shares rose Nkr0.10 to Nkr20.80.

DnB said lending volume and deposits had risen, aided by Norway's robust economic performance. Operating costs were cut by Nkr198m.

Write-backs - achieved by re-booking provisions against loan losses - diminished from Nkr508m to Nkr226m, although write-backs on previous loan losses still exceeded new losses. Non-performing and doubtful commitments were reduced by Nkr1.2bn to Nkr51m from the end of 1995.

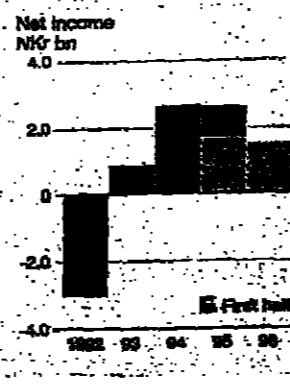
Customer lending rose 5.3 per cent in the year to date but the bank suffered from intensified competition in the domestic banking sector and also for international loans. Net interest margins fell from 4 per cent to 3.8 per cent year-on-year.

Mr Finn Eivindstad, DnB managing director, said the near-halving of Norwegian banks' margins from some 6

Den norske Bank



per cent in 1992 could "quite conceivably" trigger a new wave of restructuring in the sector. But he added: "As long as credit losses are



slight, we can live with lower interest margins." Ordinary loans totalled Nkr130bn at the end of June, an increase of Nkr12bn on



the first-half average in 1995. Net interest income was flat at Nkr2.1bn, although it fell from 2.47 per cent to 2.34 per cent relative to average

total assets. DnB said lending growth and the continued reduction in non-performing and doubtful credits offset pressure on interest margins.

Return on equity dropped from 25.4 per cent to 23.4 per cent and earnings per share from Nkr2.60 to Nkr2.36. The capital ratio was 10.5 per cent and Tier 1 capital stood at 7.1 per cent, not including first-half profits.

Vital, Norway's second largest insurer, acquired earlier this year by DnB for Nkr3bn, made net profits of Nkr138m. But its impact on group profits was marginal because a contribution of Nkr68m was balanced by the Nkr61m cost to DnB of financing the acquisition.

AGF to seek outside directors in board shake-up

By Andrew Jack in Paris

Assurances Générales de France, the insurance company privatised in May, yesterday announced its intention to nominate a number of outside directors as part of a newly-constituted board.

In a gesture towards the growing importance of corporate governance in France, just two executives of AGF will sit on the

14-member board - Mr Antoine Jeancourt-Galignani, chairman, and Mr Jean-Daniel Le Franc, his deputy.

Four outside directors will be present in their roles as large AGF shareholders: Mr Daniel Bouton, managing director of Société Générale, the French bank; Mr Wolfgang Kaske, head of AMB, the German insurance group; Mr Lukas Mühlmann, head of Suisse Rein-

assurance and soon Crédit Suisse; and Mr Sergio Siglienti, head of Ina, the Italian insurer.

The share of AGF's capital that they represent has not yet been finalised, as their companies' bids for shares at the time of the privatisation are still being scaled back due to over-subscription.

Existing director Mr André Lévy-Lang, chairman of Paris-

group, which held 1.5 per cent of AGF's shares, will not have a seat on the new board.

Four independent directors have been chosen by virtue of their personal qualities and not because of any shareholding: Mr Yves Canac, a former senior civil servant; Ms Beatrice Mainoni d'Intignano, a health economist; Mr Patrice Mignon, finance director of


Neslé; and Mr Jean-Charles Naouri, head of the Euris investment group.

There will also be one general agent who sells insurance on behalf of AGF, two staff representatives to be elected by employees, and an employee-shareholder director.

The nominations, which were approved at AGF's last board meeting, must be ratified by the annual general


meeting of shareholders, which is due to be held on September 19.

In line with recommendations in last year's Viénot report on French corporate governance that the maximum number should be six, Mr Jeancourt-Galignani also pledged earlier this year to resign from some of his 13 boardroom seats, although there were no indications he had done so yesterday.



July 1996

The Hellenic Republic



ΑΕΡΟΠΟΡΕΙΑΣ ΑΘΗΝΩΝ
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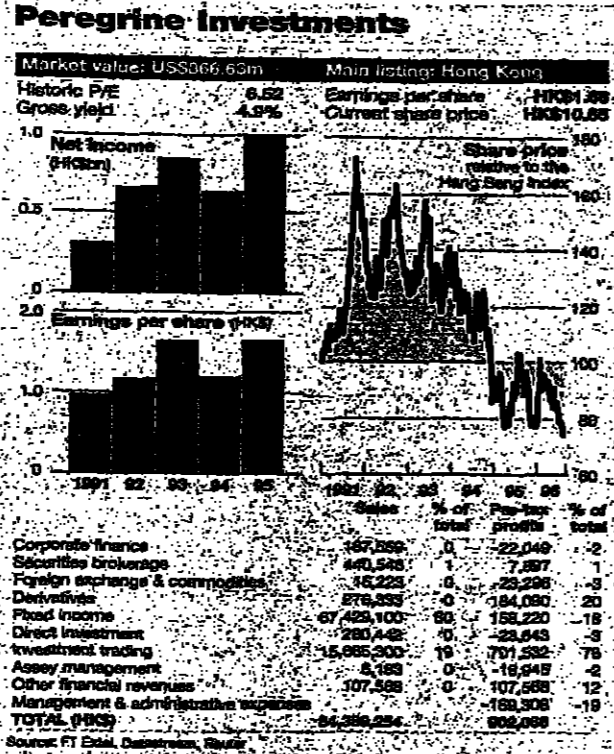
صكنا من الامل

COMPANIES AND FINANCE: ASIA-PACIFIC / THE AMERICAS

Peregrine shrugs off spot of local bother

Hong Kong investment bank seems undeterred by regional difficulties

Peregrine Investments has run into a number of stumbling blocks in its efforts to expand into markets as diverse as Korea, Australia, Indochina and the UK...



In contrast to these local difficulties - which, apart from Australia, have arisen in countries without capital markets that have been broadly shunned by the competition - there is market talk that Mr Philip Tose, chairman of Peregrine Investments, may be seeking an overseas alliance...

Few in Hong Kong's financial community believe these problems are sufficient to throw Peregrine's aggressive expansion strategy off course.

Tose's travels: that he may be looking to sell a stake in Peregrine. Mr Alan Mercer, company secretary, denies the rumours. He points to Peregrine's leading position in independent league tables of non-Japan Asian equity issues.

backing from the territory's biggest corporates and tycoons, including Mr Li Kashing, Mr Gordon Wu of infrastructure and property group Hopewell Holdings, and Citic Pacific, China's investment agency.

This has not been lost on Peregrine's competitors. "It is altogether tougher for them now. They have got certain big deals related to Cheung Kong in the past, but if you knock out the same deals, they were not doing anything too special compared with the opposition," says one.

"The American houses in particular are only interested in the big deals so it is very competitive. They have to rely very much on their connection with Mr Li and friends to win the business."

Louise Lucas

Solid growth at Bank of East Asia

By Louise Lucas in Hong Kong

The Bank of East Asia, Hong Kong's third-biggest listed bank, yesterday reported net earnings of HK\$946.92m (US\$109.5m) for the six months to June 30, up 23.3 per cent on the HK\$887.01m in the same period last year.

Unlike other banks which have made bigger charges for general provisions - in part to smooth earnings in what has been a strong half-year for the sector - Bank of East Asia attributed HK\$197m to specific trade finance loans that have soured.

It made total interim provisions of HK\$188.39m, compared with HK\$84.84m at the halfway stage last year. Analysts were told the debits related to a handful of Hong

Kong-listed companies, and that Bank of East Asia had wholly provided for them, even though they were partly collateralised. This indicated to some the possibility of write-backs in the future.

An analyst at a UK house said the companies concerned were in the manufacturing or trading sectors, which have been responsible for most of the problem loans at the region's banks this year and last. Sluggish

exports suggest the trend will continue in the second half.

On fundamentals, however, Bank of East Asia matched the strong growth shown of its competitors. Net interest income grew 27.57 per cent, to HK\$1.09bn from HK\$1.09bn. Operating profit before provisions rose 32 per cent, to HK\$1.15bn from HK\$869.37m last time.

Earnings per share climbed 21.9 per cent, to 78 cents from 64 cents, and the

directors are recommending an interim dividend of 25.5 cents, up 11.3 per cent on 22.9 cents last time.

Mr David Li, chairman, said the second half was expected to bring "moderate growth" as exports rebound and the property market sustains its moderate growth.

Mr Li outlined a long-term strategy to sell stakes in United Chinese Bank, which the group acquired in June last year, to mainland and Taiwanese banks.

Deere posts record earnings in third quarter

By Laurie Morse in Chicago

Deere and Company, the US maker of agricultural and lawncare equipment, posted record earnings in the third quarter, ended July, and said expanding global demand would continue to strengthen the company's outlook.

"Growing worldwide demand for agricultural commodities coupled with the existing low levels of world grain stocks have resulted in strong prices for grains and oleseeds."

"Additionally, the new 'freedom to farm' bill has further strengthened US farm income by establishing a substantial transition pay-

ments to participating farmers while reducing restrictions on farm acreage utilisation," said Mr Hans Becherer, Deere's chairman.

Export markets for agricultural commodities remained strong in spite of higher prices and a strengthening dollar, lifting farmers' confidence and establishing a favourable selling environ-

ment for Deere products.

In the third quarter, Deere's earnings were up 13 per cent at \$204.4m, or 79 cents a share, from \$180.1m, or 69 cents, in the 1995 third quarter.

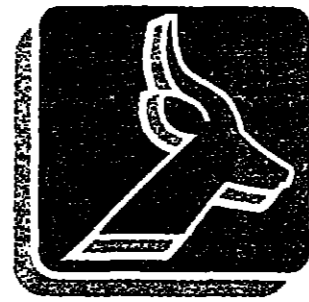
Sales for the quarter were \$2.9bn, up from \$2.7bn a year ago.

For the first nine months, Deere earned \$643.4m, or

\$2.46 a share, compared with \$555.5m, or \$2.14, in the first nine months of 1995.

Year-to-date sales were \$8.3bn, up 10 per cent from \$7.6bn in the same period last year.

Export sales from the US were \$1.2bn in the first nine months of the year, up 21 per cent from last year.



Impala Platinum Holdings Limited

Registration No. 574197906

The major features of the financial year ended 30 June 1996 for the Implats group were:

- the blocking by the European Commission of the merger with Western and Eastern Platinum
the issue by the Bafokeng Tribe of a legal challenge to all the agreements
dollar metal prices which fell 16% over the year
Rand prices which fell in parallel until the currency crisis in February stimulated a recovery, to the levels of a year ago
turnover in rands per ounce of platinum the same as last year
a 2.1% increase in platinum produced due to cleaner mining and higher recoveries
a 10% rise in operating costs. The higher volumes contained unit cost increases on mine to 8.8%
a major furnace failure and the recovery of concentrate stock piles led to a substantial increase in in-process stocks
declared output ex-refinery was depressed by 4% due to the build up in stocks
total costs per ounce of platinum rose by 12.7% (6% if allowance is made for the extraordinary increase in process stocks)
a reduction of 37% in attributable income as cost saving efforts were swamped by the price movements

Based upon these disappointing circumstances and a sense that recovery in our principal markets may be some time away, your directors have reduced the total dividend for the year by 75 cents to 100 cents per share.

Accordingly a final dividend of 70 cents per share has been declared, payable to members on 3 October 1996.

Highlights from Consolidated Income Statement

Table with 3 columns: (R millions), 1996, 1995. Rows include Turnover, Cost of sales, Income from platinum mining, Net financial income, Income before taxation, Lease, royalties and tax, Consolidated income after taxation, Attributable income, Distributable income for the year, Dividends declared, Shares in issue (millions), Attributable earnings per share (cents), Dividends per share (cents).

Prospects

The fundamentals of this business remain strong. Two necessary conditions to recovery are, firstly and most importantly to come to the end of Russian platinum sales from stock, and secondly to reinforce and encourage recent trends whereby the autocatalyst industry is re-evaluating its headlong dash into palladium.

Both these conditions are only likely to occur in the medium to long term. Until that time it is expected that dollar prices will show only modest growth, if any, from current levels.

Shareholders should note that \$193 million of anticipated receipts up to December 1996 is fixed at an average forward rate of R3.92 to the dollar.

Despite this limitation the weakening of the rand provides an opportunity to increase revenues while containing costs. The excitement in the company is the number of defined opportunities that exist to contain costs and improve efficiencies further. The company has the demonstrated skills and knowledge to deliver these opportunities.

The judgement of your board is that the combination of these circumstances and deliverables will result in a reasonable recovery over the next year.

J M McMahon Executive Chairman 13 August 1996

J P Müller Director

BT adopts Microsoft browser

By Paul Taylor in London

Microsoft, the US-based software group, will today announce further gains in its continuing battle with Netscape Communications over the market for Internet browser software.

As part of the launch of Internet Explorer 3, Microsoft's new browser, British Telecommunications will announce it has adopted the software for its mass-market BT Internet service, which was launched four months ago.

Mr Raj Kanthan, BT product manager for Internet services, said yesterday BT planned to substitute a Microsoft package of Internet software, including dialler, mail and news programmes, for its current package, which is based on software supplied by ETP.

Future versions of Microsoft's operating systems will also include details of the BT Internet service, making it easier for new users to set up their BT Internet connection.

Lower prices hit profits at Capral

By Nikki Tait in Sydney

Capral Aluminium, one of Australia's leading aluminium smelting companies, yesterday announced an after-tax profit of A\$17.9m (US\$14m) in the six months to end-June, down sharply on the A\$27.6m achieved in the same period last year.

The group - the former Alcan Australia group, which was renamed when Canada's Alcan sold its controlling stake in 1994 - said sales had risen to A\$422.4m, almost 4 per cent higher than the A\$416.9m seen in the first half of 1995-96.

It blamed the profit slump on lower metal prices and the recent strength of the Australian dollar, and said revenues would have been higher still but for these movements.

"The primary causes of reduced earnings were the lower metal prices and the strengthening of the Australian dollar," Capral said. "These factors also impacted on revenues offsetting benefits arising from the acquisition of extrusion and distri-

bution businesses from Comalco [the Australian aluminium group] in late 1995".

The profit downturn came chiefly in the primary production side, where pre-interest earnings slumped from A\$51.9m a year ago to just A\$19.1m. Capral said that its Kurri Kurri smelter had returned to its full operating rate, and that it hoped to complete upgrades of anode-baking furnaces and rolling technology in 1996 and 1997, respectively.

On the downstream side, earnings were lifted by the acquisition of the Comalco units, which cost Capral A\$81.8m. Here, pre-interest earnings rose from A\$13.9m a year ago to A\$21m, with sales advancing 24.9 per cent to A\$226.7m. The group, however, warned that building industry demand remained depressed. "Market conditions experienced in the first half of the year are not expected to change for the rest of the year."

The interim dividend is held at 8 cents a share. Capral shares added 4 cents to A\$3.70.

Notice of Early Redemption in the Holders of Standalone Enkilda Bank USD 2,500,000 Perpetual Subordinated Variable Rate Notes. Includes details of redemption terms and contact information for Dai-ichi Kangyo Bank.

Colonial Colonial Finance Limited A.C.N. 007 355 033. US\$150,000,000 Subordinated Guaranteed Floating Rate Notes 2005. Includes details of interest rates and contact information for JPMorgan.

A copy of the Chairman's Statement and Financial Results is available on the Internet web site: http://www.implats.co.za. Alternatively please contact the Group Secretary, via E-Mail at jgaylard@imphomrkt.implats.co.za, or by post at P.O. Box 61386, Marshalltown, 2107, South Africa. Telephone (011) 376-2800.

COMPANIES AND FINANCE: EUROPE

Prague tries foreign patience

A US investor is seeking more transparency in Czech markets

Angry foreign investors are commonplace in Prague, but few are as angry as Mr Howard Golden, president of the Central European Privatization Fund...

even though the stock market was rising. Some \$8m of CEPF's investment is in PIAS funds, a stable of privatisation funds among the largest on the Prague stock exchange...

Profits at SE-Banken jump in first half

By Greg Melvor in Stockholm

Skandinaviska Enskilda Banken, one of Sweden's leading banks, yesterday emphasised its return to health following heavy loan losses last year by announcing a jump in six-month operating profits from SKr47m to SKr2.7bn (400m)...

Vincent Boland

Creditanstalt moves step closer to sell-off

By Eric Frey in Vienna

The privatisation of Creditanstalt, Austria's second-largest bank, moved closer yesterday as First Austrian Savings Bank reached agreement in principle with its consortium partners on a joint holding group for Creditanstalt and First Austrian...



Viktor Klima: needs privatisation receipts for budget

Existing Creditanstalt and First Austrian shareholders would swap their stock for shares in the holding group, so only one class of stock would be publicly traded. This would facilitate the secondary stock offering for which the consortium wants to finance about one-third of its bid...

Templeton Global Strategy Sicas. Notice of Extraordinary General Meeting of Shareholders of Templeton Global Strategy Sicas. Agenda: Approval of a proposal to make amendments to the Articles of Incorporation of the Company...

SPT lifts revenues to Kc15bn

By Vincent Boland in Prague

SPT Telecom, the Czech telecoms operator in which PTT Telecom Netherlands and Swiss Telecom jointly own a 27 per cent stake, yesterday reported pre-tax profits of Kc4.48bn (\$168m) for the first half of 1996...

HSBC buys dollar clearing

By Vincent Boland in Prague

After-tax profits were Kc2.92bn. Comparative figures for the first half of 1995 are not available as the company has adopted international accounting standards this year...

CONTRACTS & TENDERS. MINISTRY OF ARTS, CRAFTS AND TOURISM SPA BUREAU. INTERNATIONAL INVITATION TO TENDER FOR THE SALE OF THE JEBEL OUST HOTEL, SPA AND SPORTS COMPLEX.

Notice of Redemption. Citicorp Finance PLC. Unconditionally Guaranteed by CITICORP. NOTICE IS HEREBY GIVEN THAT Citicorp Finance Plc has, pursuant to the Prospectus dated December 6, 1985...

DM 100,000,000 Bank Austria. Z-Länderbank Bank Austria Aktiengesellschaft. Fixed/Inverse Floating Rate Notes due 2000.

St. George Bank Limited. U.S. \$100,000,000 Floating Rate Notes due 1998. Notice is hereby given that for the Interest Period 13th August, 1996 to 13th November, 1996 the Notes will carry a Rate of Interest of 6.0125% per annum...

Dixons Greenbu. Sedgwick for sector. HSBC buys dollar clearing. PHARMACEU BUSINESS NE. Call or fax now.

صكنا من الامل

Dixons breaches Greenbury report

By William Lewis

Dixons, the electrical retailer, has refused to change its controversial triple remuneration committee structure and Sir Stanley Kalms, chairman, has warned shareholders of "increasing demands for management by prescription" because of corporate governance rules.

Dixons' annual report, sent to shareholders this week, discloses that Sir Stanley chairs the remuneration committee which determines executive directors' pay. This breaches the Greenbury committee's report on executive pay, which states that executive directors' pay should be set "exclusively" by non-executives.

A second remuneration committee, staffed by all Dixons' non-executive directors, is responsible for setting Sir Stanley's pay. He received £865,000

(£1.85m) in basic salary and bonus in the year to April 27, up by 12.5 per cent from £769,000 the previous year, when Sir Stanley also waived £100,000 of his bonus payment. Paper profits from share options of £754,762 took Sir Stanley's total earnings during the 54 weeks to May 8 to some £1.8m.

A third remuneration committee sets non-executive directors' pay and is staffed by Sir Stanley and Mr Mark Souhami, the deputy chairman.

The Greenbury report, parts of which have been annexed to the Stock Exchange's rule book, states that non-executive directors' pay should be "set by the board as a whole".

Dixons' annual report states that it has complied with the Greenbury report "with the exception that Sir Stanley Kalms chairs the remuneration committee which determines the sala-

ries of the other executive directors".

Sir Stanley, a long-standing critic of the Greenbury report and other corporate governance rules, writes in the annual report that "regrettably, but perhaps inevitably, debate on this subject [corporate governance] has now taken on a life of its own, becoming increasingly academic and remote from commercial reality".

Yesterday, Sir Stanley defended the Dixons' triple remuneration committee structure. "Only the chairman can assess the value of his executives. We apply our logic and have three separate [remuneration] committees," he said.

He said that his basic salary had increased by a "very small amount" - £18,000 - and that the £286,000 bonus payment he received this year "looks bigger because I waived most of it last year".

Positive cash flow at Gen Cable

By Raymond Snoddy

General Cable, the French-controlled cable group, has achieved positive operating cash flow in all its franchises for the first time.

It is believed to be first of the large quoted UK cable groups to achieve this - stated before interest costs, tax and depreciation.

General Cable's main operating companies, The Cable Corporation in West London and Berkshire and the Birmingham Cable Corporation, have produced positive operating cash flows for the last three quarters. They have now been joined by the Yorkshire Cable Group, even though the network in areas such as Sheffield, Bradford and Halifax is only 34 per cent built.

However, after interest and depreciation, pre-tax losses deepened from £10.9m to £12.6m in the first half of this year. Revenues increased from £14.2m to £20.1m.

The shares gained 2½p to close yesterday at 163p.

General Cable said this resulted from "changes in the mix of new business".

Birmingham Cable is a joint venture with Comcast of the US, and the interim results do not take into account General Cable's purchase of 80 per cent of Yorkshire Cable from its partner Singapore Telecom.

GA slips and raises prices

By Ralph Atkins, Insurance Correspondent

General Accident yesterday dispelled some of the gloom over composite insurers with a smaller than expected fall in first half operating profits from £257m to £194m (£302.6m).

Higher life profits and a good second quarter performance in UK general insurance helped offset increased weather losses of £56m.

GA said it was seeking to reverse the downturn in the UK underwriting cycle with fresh price rises - including a 3.5 per cent increase in commercial motor rates from August 1, on top of 6 per cent added in February.

Despite consolidation among UK insurers, GA hinted strongly it was unlikely to seek a large acquisition in its home market. Mr Bob Scott, chief executive, said: "It is no good just racing around buying... There is nothing wrong with organic growth".

However, he said GA was interested in further expansion in continental Europe, particularly France, and in international life operations.

Underlining its commitment to life activities, GA has appointed Mr Philip Twyman, from the Australian Mutual Provident Society, one of the world's largest life insurance groups, as executive director responsible for finance and world-



Philip Twyman (left) with Bob Scott: interested in further expansion in continental Europe

wide life operations and member of GA's executive management committee.

GA said the integration of Provident Mutual, the life insurer acquired last year, was ahead of plan with one-off integration and transitional costs this year unlikely to exceed £20m.

Overall, long-term business profits rose from £34m to £46m, including £5m from annual premium business doubled to £12m. UK non-life insurance rebounded from a weak first quarter to make an first-half underwriting profit of £13m (£65m). US results also improved in the second quarter when Canada produced its best quarterly result for 10 years.

Sedgwick stresses scope for sector consolidation

By Ralph Atkins

Sedgwick, the international insurance broker, yesterday said it would consider a merger that fitted its global strategy and predicted consolidation among the six biggest companies in the sector.

The comments came as Sedgwick announced a small rise in interim pre-tax profits from \$53.1m to \$64.1m (\$100m) amid continued tough trading conditions.

Takeover talk has been fuelled by reduced demand for insurance from many larger companies and by steep falls in rates which have squeezed brokers' incomes.

Mr Sax Riley, chief executive, said Sedgwick still

believed there was room for only three or four "global brokers" out of the current six - despite comments by rival Willis Corroon suggesting the benefits of mergers had been over-rated.

Mr Riley said Sedgwick was not interested in a merger with Willis Corroon, which was following a different strategy.

He refused to comment on speculation that discussions had taken place between the two companies.

Mr Riley would not discuss with which groups Sedgwick might seek a link.

But he said it was "important that Sedgwick is seen to be a market leader", focused on a large international network and developing fee-

based consultancy businesses.

The results for the six months to June 30 showed an increase in brokerage and fees from \$450.7m to \$467.3m, offset by a rise in expenses largely associated with office moves in the US and investment in new businesses.

The company said it was continuing to seek cost cuts, with UK expenses falling by 3 per cent in the first half.

Noble Lowndes, its financial services and consulting arm, increased trading profits by 12 per cent to \$7.4m, and Sedgwick expressed confidence about the second-half outlook for the division as it expected to benefit from better conditions in the UK life and pensions market.

HSBC buys JP Morgan's dollar clearing business

By John Gapper, Banking Editor

HSBC Holdings, the UK-based international banking group, has bought the dollar clearing operations of JP Morgan, in a move that further reduces the US bank's presence in transaction services.

The acquisition will put HSBC Financial Institutions, the clearing operation of the bank, among the top five US

dollar clearers.

It follows Morgan's disposal of its global custody, European custody and commercial paper processing arms.

Transaction services are consolidating because banks need to have large volumes to make acceptable returns. Morgan has decided to reduce such business, apart from its contract to run Euroclear, the eurobond clearing operation.

HSBC Holdings runs a set of clearing operations in various retail banking subsidiaries around the world.

The purchase of Morgan's operations was made through Marine Midland, its US retail bank, which operates in New York state.

The dollar clearing operations, which handle clearing of funds for banks and large companies, employ about 200 people mainly in Delaware.

Company	Turnover (£m)	Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Dividends Corresponding dividend	Total for year	Total last year
		1995	1996	1995	1996					
Aviva Petroleum	7.41	(5.4)	0.455	(0.728)	11	(2)	nil	nil	-	nil
BGC	2.993	(2.763)	327.3	(294.6)	42.17	(37.88)	-	-	-	24.8
Equinox	34.3	(33.4)	2.026	(2.63)	6	(8.2)	2.9	Oct 14	2.9	8.9
General Accident	3,150	(3,052)	350	(300)	49.3	(44.5)	11.4	Jan 1	10.7	31
General Cable	20.1	(14.2)	12.6	(10.9)	4.7	(4.5)	-	-	-	-
Persona	65.2	(24.8)	2.71	(1.35)	7.78	(6.88)	1.7	Nov 29	1.44	4.8
Pfizer	41.8	(37.4)	3.12	(2.7)	17.6	(16)	3.15	Oct 8	2.85	5.45
Sedgwick	490.2	(474.8)	84.1	(83.1)	7.8	(7.3)	3.75	Oct 21	3	7.375
WDC	62.9	(52.9)	1.55	(1.31)	15.62	(12.66)	3.825	Oct 11	3.375	5.2

De Beers Consolidated Mines Limited
(Incorporated in the Republic of South Africa)
(Company Registration No. 11/2007/26)

De Beers Centenary AG
(Incorporated under the laws of Switzerland)

EXTRACTS FROM THE UNAUDITED INTERIM RESULTS FOR THE HALF YEAR ENDED 30 JUNE 1996

Attributable to De Beers/Centenary linked units

- ◆ Attributable earnings up 18% in Dollars (32% in Rand)
- ◆ Equity earnings up 23% in Dollars (37% in Rand)
- ◆ Dividends up 5.5% in Dollars (26% in Rand)

PRO FORMA COMBINED INCOME STATEMENT					PRO FORMA COMBINED BALANCE SHEET						
Year	Half-year	Half-year	Year	Year	Year	Half-year	Year	Year	Year		
Dec. 1995	June 1996	June 1995	Dec. 1995	Dec. 1995	Dec. 1995	June 1996	Dec. 1995	Dec. 1995	Dec. 1995		
US Dollar millions					US Dollar millions						
2,748	1,561	1,786	447	435	760	32,859	32,091	38,562	8,896	8,818	9,003
505	521	662	166	145	223						
261	122	101	25	34	72	384	361	358	83	99	105
3,021	1,820	2,362	591	506	856	4,038	3,172	3,118	719	871	1,106
713	341	420	105	95	197	37,281	35,624	42,038	9,698	9,788	10,214
2,256	1,462	1,925	482	407	624						
3,564	1,992	2,727	683	555	960	3,713	3,661	4,238	978	1,006	1,018
360	350	380	380	380	380	16,048	15,076	17,867	4,122	4,143	4,196
594c	353c	507c	127c	107c	164c	17,058	16,072	19,551	4,510	4,416	4,673
935c	524c	718c	180c	146c	259c	294	274	310	72	75	81
						168	541	72	16	148	46
						37,281	35,624	42,038	9,698	9,788	10,214
155.3c	53.0c	67.0c	15.5c	14.0c	50.7c	44,630	40,756	52,381	12,084	11,190	12,227
154.1c	40.0c	49.9c	11.5c	11.0c	42.3c	59,275	55,626	70,561	16,278	15,286	16,240
339.1c	93.6c	116.9c	27.0c	25.0c	92.9c	15,590c	14,631c	18,559c	4,281c	4,020c	4,271c
R3.62	R3.59	R4.00	R4.00	R3.59	R3.62	R3.65	R3.64	R4.34	R4.34	R3.64	R3.65

DIVIDENDS

Both the De Beers Consolidated Mines interim dividend (No. 153) of 67 SA cents per linked deferred share and the Centenary Depository dividend distribution (No. 13) of 11.5 US cents per depository receipt have been declared payable on Wednesday, 23 October 1996 to linked unit holders registered at the close of business on Friday, 13 September 1996. The registers will be closed from 14 September to 21 September 1996. The full conditions relating to the dividends may be inspected at the offices mentioned below as well as the offices of the South African transfer secretaries and the United Kingdom registrar.

COMMENT

The positive mood in the market in the first half of 1996 enabled the CSO to achieve record sales of US\$2 748 million. As a result of strong demand for larger sizes, the CSO was able to announce a price increase with effect from the July sight. The increase for sizes above one carat averaged 7 per cent, and the overall increase was 3 per cent.

Following the signing of the Memorandum of Understanding between the Russian Government and Centenary in February, negotiation on the detail of the Trade Agreement has been continuing with Almaz Rossii-Sakha, but the process has been delayed by the Russian Presidential election process. In the meantime purchases from Russia continue on the basis of the existing sales contract extended since 31 December 1995.

In accordance with the adoption last year of the "first in first out" method of valuing diamond stocks, De Beers' 1995 first half figures have been restated. The effect has been to increase that period's diamond account and attributable earnings by R32 million (US\$9 million).

There has been a repetition of last year's delay in deliveries to the CSO from the first half to the second half (though not to the same degree) with the consequent effect of reducing Centenary's borrowings and diamond stocks.

It did not prove possible to renew the CSO's contract with Argyle, which accounted for 6 per cent of the CSO's intake of rough diamonds, after its expiry on 30 June 1996. The Indian cutting industry had been anticipating a renewal, and this change in the supply situation, coupled with its high level of stocks of rough and polished diamonds, has unsettled the Indian trade. The CSO will be working closely with its clients as they adjust to the new situation.

The retail diamond jewellery markets continue to report satisfactory sales, and the outlook remains positive.

Copies of the interim reports and dividend notices will be posted to linked unit holders on or about 15 August 1996 and will also be available from the following offices:

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TOKYO PACIFIC HOLDINGS N.V.

NOTICE OF EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS

Tokyo Pacific Holdings N.V. ("TPH") has its registered office in Curaçao, Netherlands Antilles.

Shareholders of TPH are hereby invited to attend an extraordinary general meeting of shareholders to be held at the office of the company at John B. Gorsiraweg 14, Willemstad, Curaçao, Netherlands Antilles at 3.00 p.m. (local time) on September 4, 1996.

The complete agenda which includes, among other things, a resolution to alter the articles of association and a resolution to move the registered office of TPH to Luxembourg, and the text of the proposal to amend the articles of association, has been deposited for inspection by the shareholders at the office of the company and at the offices of the paying agents referred to below.

Copies of the agenda and the text of the proposal to amend the articles of association may be obtained by the shareholders free of charge at the below-mentioned locations.

The holders of bearer shares must deposit their share certificates with one of the following paying agents offices in order to gain admission to the meeting. In exchange for the deposit, they will be issued with a receipt which also serves as proof of admission to the meeting.

The holders of registered shares should inform the Management Board of TPH in writing by August 28, 1996 at the latest if they wish to attend the meeting.

Willemstad, Curaçao, August 14, 1996.

THE MANAGEMENT BOARD

Paying Agents

Table listing paying agents: MeesPierson N.V., Trinkhaus & Burkhart, Sal Oppenheim Jr. & Cie, Rokin 55, Königsallee 21-23, Unter Sachsenhausen 4, 1012 KK Amsterdam, D-4000 Düsseldorf, D-50667 Cologne, The Netherlands, Germany, Germany.

The Top Opportunities Section. Advertise your senior management positions to Europe's business readership. For information please contact: Andrew Skarzynski +44 0171 873 4054, Toby Flinden-Crofts +44 0171 873 4027, Will Thomas +44 0171 873 3779.

COMPANIES AND FINANCE: UK

Facia creditors told of 'significant' intergroup deals

By Clay Harris and William Lewis. The collapse of Facia resulted from concerns about "significant" transactions between the retail group and companies owned privately by its chairman, Mr Stephen Hinchliffe, creditors were told yesterday. Mr Tony Thompson of KPMG, joint administrative receiver for Facia and several of its subsidiaries, told creditors: "Although the companies were not legally connected except by their ultimate shareholder, significant intergroup balances built up between the Facia companies and the companies owning the Hinchliffe businesses."

French purchase buoys Persona

By Christopher Price. The takeover of a French computer and network distribution group and continued strong demand in the UK helped Persona, the specialist PC products distributor, double pre-tax profits in the first six months of the year. Pre-tax profits rose from £1.35m to £2.71m (\$4.2m), including the exceptional £441,000 costs associated with the £20m purchase in January of Paris-based Top Log. Profits before exceptional costs increased to £2.15m on turnover of £85.2m (\$24.8m). Persona said its strong position in the UK and France provided a springboard for further expansion, including the contribution from Top Log, accounted for just over half of group turnover at 56 per cent. Top Log contributed £31m to sales. In France, the merger had enabled Persona to sign supply agreements with 3Com, Bay Networks, Compaq, Microsoft and Netscape.



Wayne Channon: plans further expansion in Europe

Flextech and BskyB compete to woo BBC

By Raymond Snoddy. Both British Sky Broadcasting and Flextech are competing for the "hand" of the BBC because of the pressing need for high quality programmes for new digital satellite services. The BBC is talking to BskyB, the satellite television company, about the possibility of a digital television joint venture, while at the same time negotiating with Flextech, the cable and satellite channel provider. The BBC hopes to play both suitors off against each other to get the best deal. Flextech, which is controlled by TCI of Denver, one of the world's largest media groups, confirmed yesterday it was in "preliminary discussions with the BBC concerning a possible joint venture". Talks over the launch of at least six satellite channels drawing on the BBC's extensive programme library have been going on for four months. Flextech has, it is believed, reserved four transponders on a digital satellite due for launch in November 1997, and the BBC has an option on a single transponder. Each digital transponder, which takes the signal from earth and rebroadcasts it to viewers, can transmit at least eight channels of television. BskyB has leased a total of 14 digital transponders and plans to launch more than 200 digital channels before the end of 1997. Flextech, which has interests in or manages 13 cable and satellite channels and has plans to expand, also confirmed that it is in discussions with Pearson and Cox Communications of Atlanta about acquiring their stakes in UK Gold and UK Living.

JCI Limited logo and Western Areas Gold Mining Company Limited. (Registration number 59/08809/06) ("Western Areas" or "the Company") (Incorporated in the Republic of South Africa)

RESULTS OF ELECTION TO RECEIVE A FINAL DIVIDEND INSTEAD OF THE CAPITALISATION AWARD AND AN ELECTION TO SUBSCRIBE FOR NEW SHARES

The right of election to receive a final dividend instead of an award of capitalisation shares ("the Capitalisation Award") and the right of election by those shareholders electing the dividend to apply the dividend in subscribing for new Western Areas shares ("the Subscription") made to ordinary shareholders registered at the close of business on Friday, 5 July 1996 ("the record date"), closed at 16:00 on Thursday, 8 August 1996. The weighted average traded price of Western Areas ordinary shares on The Johannesburg Stock Exchange ("the JSE") on Wednesday, 7 August 1996 was R63.44. Accordingly, the award of capitalisation shares and the subscription for new shares was determined as a ratio of 0.9930643 new shares for each 100 shares held on the record date.

Elections to receive a final dividend of 60 cents per share in respect of the year ended 30 June 1996 instead of the Capitalisation Award were received in respect of 62,041,603 shares. Accordingly, a final dividend of 60 cents per share was declared on 13 August 1996 on 62,041,603 ordinary shares in respect of the year ended 30 June 1996. Elections to apply this dividend in subscribing for new shares in Western Areas were received in respect of 52,164,448 of these shares. An amount of R51,298,668.80 was therefore applied in terms of the Subscription. Accordingly, 803,729 new fully paid Western Areas ordinary shares of R1 each have been allotted in terms of the Capitalisation Award and the Subscription and the issued share capital of Western Areas has been increased to 91,615,113 ordinary shares.

The listing of 803,729 new ordinary shares in Western Areas will commence on the JSE from the commencement of business on Wednesday, 14 August 1996.

The offer by JCI Limited to acquire the new ordinary shares in Western Areas was accepted by shareholders in respect of 42,624 shares.

Cheques in respect of the final dividend and shares sold for the benefit of shareholders, as well as share certificates, will be posted to shareholders on Wednesday, 14 August 1996.

Johannesburg 14 August 1996

MONTEDISON BULLETIN. Montedison provides information to the public regarding changes to the Company's ownership of which it has had notice and which are significant within the meaning of Art. 1/5 bis of Law 216 of June 7, 1974 and the Treasury Ministry Decree of February 10, 1994, published in Italian Official Gazette No. 35 of February 12, 1994. Table with columns: Stockholder, Total ordinary shareholding advised, % of voting capital. Includes Compart Spa, La Fondiaria Assicurazioni Spa, Milano Assicurazioni Spa.

GROUPE PARIBAS Public tender offer of Groupe Paribas for Compagnie Financière Ottomane. Groupe Paribas announces that following its public offer to purchase the entire share capital and all founder's shares of Compagnie Financière Ottomane S.A., it held 96% of the company's capital and 95% of its founder's shares.

THE BANKER 1000. Logo for The Banker magazine.

CONTRACTS & TENDERS

ARAB REPUBLIC OF EGYPT MINISTRY OF TRANSPORTATION CIVIL AVIATION AUTHORITY INVITATION FOR PREQUALIFICATION (P.Q). THE EGYPTIAN CIVIL AVIATION AUTHORITY INTENDS TO EXECUTE A NEW AIRPORT IN MARSA ALAM - RED SEA GOVERNORATE WHICH WILL BE EVENTUALLY MANAGED BY PRIVATE SECTOR. ACCORDINGLY, THE EGYPTIAN CIVIL AVIATION AUTHORITY INVITES SPECIALIZED INTERNATIONAL CONSULTING OFFICES TO SUBMIT THEIR PREQUALIFICATIONS IN THE FIELD OF CONSTRUCTION AND MANAGEMENT OF CIVIL AIRPORTS. THE SCOPE OF SERVICES TO BE RENDERED BY THE SELECTED CONSULTING FIRM SHOULD COVER BUT NOT LIMITED TO THE FOLLOWING: 1- FEASIBILITY STUDY 2- AIRPORT SITE SELECTION 3- TENDERING, FINANCING, DESIGN, SUPERVISION OF EXECUTION, COMMISSION AND OPERATION OF THE AIRPORT. 4- DETERMINATION OF THE PROCEDURE AND THE DATE OF THE HANDING OVER OF THE AIRPORT TO THE ECAA. DEADLINE FOR THE SUBMISSION OF P-Q IS: 30/10/96 - ADDRESS OF ECAA 31, 26 JULY ST., CAIRO, A.R.E. ATTN. GENERAL MANAGER OF FOREIGN CONTRACTS, LOCAL PURCHASES AND STORAGES.

Alliance Res to merge with Latex

Alliance Resources, the US-based oil and gas company, yesterday announced a merger with Latex Resources, a US rival, and the settlement of a legal action against its former chief executive, writes Geoff Dyer. The group, which last year disclosed an exceptional charge of £10.5m (\$16.4m) related to the alleged misrepresentation of oil and gas reserves, had accused Mr John O'Brien of fraud. The group refused to reveal details of the settlement. The Serious Fraud Office is conducting an inquiry into the events at Alliance, which left the group with only \$5m of oil and gas assets. Mr Brian Williams, finance director, said that the merger with Oklahoma-based Latex was "a good way of kick-starting the company" after the problems of last year. Latex has oil and gas producing properties in 14 states in the US. Latex shareholders will receive shares in Alliance equivalent to 72 per cent of the equity of the enlarged group. Prior to the merger, there will be a 40 to one consolidation of Alliance shares. The enlarged group is to maintain Alliance's London listing and drop Latex's listing on Nasdaq.

NOTICE to the holders of those of the US\$175,000,000 7 3/4% per cent. Notes due 1998, US\$100,000,000 5 3/4% per cent. Bonds due 1997, US\$100,000,000 5 3/4% per cent. Bonds due 2000, US\$100,000,000 Floating Rate Notes due 1998 and US\$100,000,000 Floating Rate Notes due 1999. Issued by FORTE PLC and GRANADA GROUP PLC.

Handwritten Arabic text: صكنا من الارجل

صكنا من الاجل

FINANCE: UK
tors told
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BUSINESS AND THE ENVIRONMENT

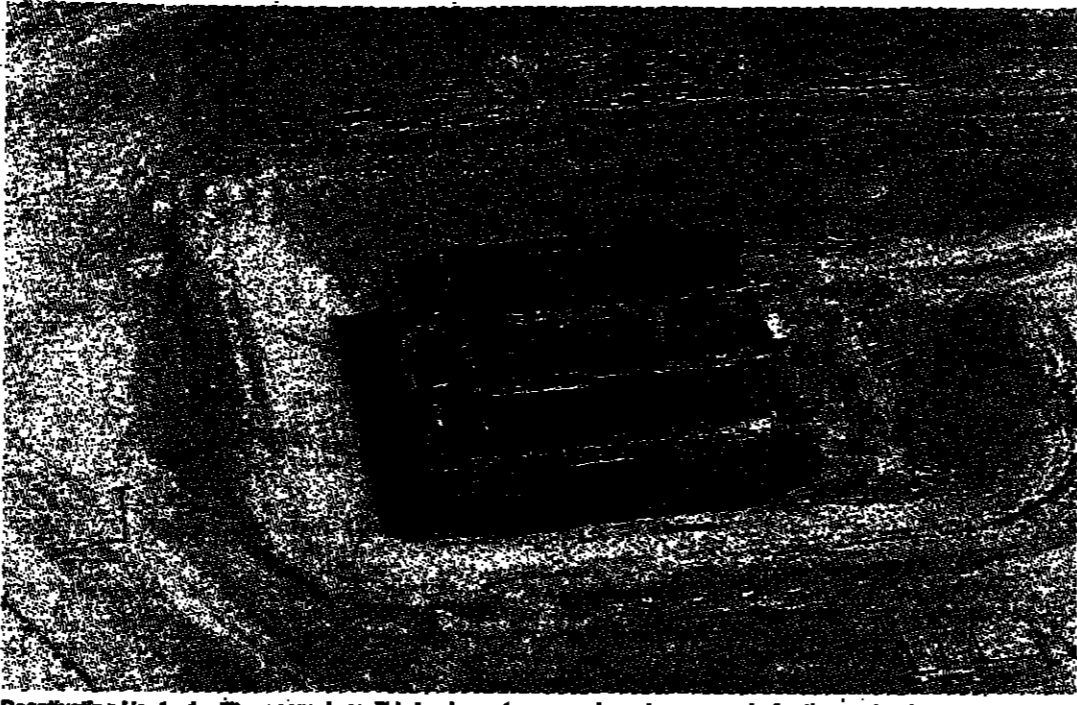
The land either side of the mighty Columbia river, once among the greatest salmon rivers of the world, seems pristine - clear open scrub and desert.

But as the river swings through north-east Washington State in the Pacific Northwest of the US, it passes through one of the world's largest military industrial complexes.

The Hanford Site, nearly 500 sq miles, comprises a plutonium production complex and an energy and weapons research facility administered by the US Department of Energy since 1943.

Now, in what is probably the biggest environmental clean-up project in the world, Hanford is to be returned to silence and desert. Its deactivation will be part of a 75-100 year programme to wind down much of the US nuclear weapons capability.

Estimates of the total costs run from \$230bn (£147bn) to more than \$500bn - compared with the \$375bn in current dollars it cost to research, build and test the arsenal in the first place. Hanford's share, currently running at \$1.4bn a year, could easily exceed \$50bn in total.



Deactivating Hanford military complex will bring in performance-based agreements for the contractors

Lean and clean

Caspar Henderson on winding down Hanford complex

nearly \$20m extra, in addition to the agreed fee, for exceeding specific milestones, but can also lose up to half the initial fee by failing to make what the DOE defines as "excellent progress on separate long-term goals".

The DOE is now extending this principle to the management of the site as a whole. The new Project Hanford Management Contract (PHMC), worth \$4.6bn over an initial five-year period and containing options for an additional five years, will be awarded in the next few weeks to one of three consortia led by Bechtel Northwest, Fluor Daniel Hanford and Raytheon Hanford respectively.

The PHMC represents "a fundamental departure from traditional contracting practices," says DOE spokesman Guy Schein. James Noel of the General Accounting Office (a federal body that monitors expenditure and management) welcomes the change. Those former contractual practices "have been at the heart of the problems they have had," he says.

clean-up effort for six years, and we are still not out of the starting block," a Hanford insider told an investigation by Scientific American magazine this spring. "No programme - for tank clean-up, groundwater remediation or anything else - has lasted more than two years. We are not sustaining a long-term vision, and investment in that vision, long enough to make any progress."

The sheer scale of the challenge at Hanford is staggering. There are 177 underground tanks of high-level nuclear waste, five huge buildings where plutonium was extracted, and 2,100 tonnes of irradiated fuel. All are to be secured and sealed for thousands of years to cool down.

Some tasks will be made doubly difficult by what now seems like extraordinary carelessness in the past. Single-shell tanks for high-level waste were known to be leaking in 1969, but waste was still being put into them in 1990. "It is hard to explain this history in a rational way," says Andrew Caputo of the Natural Resources Defence Council.

Performance-based contracting is intended to overcome such shortcomings and to encourage pragmatism, efficiency and innovation, while keeping strategic goals in sight.

Many observers say it is too early to judge its potential. But one former DOE official says there are basic flaws in the approach: "I have no confidence that the DOE can get all the detailed knowledge they need to make it work. They will have to rely on the contractors to do the assessments [of the precise nature of the problems to be addressed under a contract]."

Rooting out contamination

As natural extractors, plants could offer an affordable way to clean up soil, writes Tom Meagher

A relatively cheap and effective way to clean up land contaminated by toxic heavy metals may be right at the feet of all the government agencies, municipalities and industries searching for a solution to a serious environmental problem.

The challenge of removing heavy metals, such as cadmium and mercury, from soil could be helped by use of genetically optimised plants - solar-driven factories dedicated to extracting raw materials from the ground.

When using conventional methods, such as soil-processing, the cost of cleaning US sites poisoned by heavy metals may be as high as \$7bn (£4.4bn). Remediation of US sites where heavy metals are combined with organic contaminants, such as solvents, has been estimated at costing another \$35bn.

Little wonder, then, that the possibility of using vastly cheaper recruits from the plant kingdom is attracting interest from industry, government and scientists.

All plants extract nutrients from the environment, including the soil and water. Some of them extract additional elements - including cadmium, chromium, silver, gold, zinc or mercury - from the soil although they do not appear to need them.

The extractive technique is known as phyto-remediation. The field is growing rapidly because of recent advances in technology, protein chemistry, and plant molecular biology.

The advances are allowing scientists to expand their understanding and implementation of the biochemical mechanisms used by plants to detoxify substances.

Meagher's work exploits the characteristics of genes found in microbes that live in soil. These genes enable the bacteria to live in environments that are too toxic to support most living things.

The bacteria also use the gene to process some heavy metals, but plants have more energy for metals processing than the microbes. "The natural clean-up rate," says Meagher, "tends to be many thousands of years for one of these sites because the bacteria are so slow at it. We want to increase that maybe 100-fold, but not more."

By relocating the particular microbial genes into receptive host plants, and growing the

mercury that my plants converted in the laboratory was 10 nanograms per milligram of plant tissue per minute by weight of the plant tissue. That may not sound like much, but remember, that's per plant, per minute. It may be less efficient in the field, but the power is there to do something remarkable."

Future transgenic trees and grasses could be selected for success in a specific type of climate or soil and could be engineered to prefer one or another heavy metal. Because these plants would be genetically tailor-made for a particular job, they would generate a minimum of collateral damage in the remediation of specific hazardous sites.

Meagher says that if the tests and experiments go as well as he expects, the use of such plants could have a big environmental impact on any site contaminated with mercury and, possibly, other metals.

There are some obstacles to be surmounted, however. Federal agencies, including the US Environmental Protection Agency, are jittery about genetically engineered species.

It is not yet clear whether the genetically engineered plants will be allowed to grow in open fields in the US. But some other governments, such as the UK, are looking more closely at the plant solution and are allowing preliminary field-tests.

Also, many sites where metals have poisoned the soil will not support ordinary indigenous vegetation - leading to rapid erosion, with water leaching out the metals and spreading the toxins. One solution is to grow naturally metal-resistant plants on the site to hold the soil.

The ultimate focus of the Georgia team's work will be getting the transgenic properties working in trees and grasses. "Meeting that goal," says Meagher, "may take two tries, but I don't think it will take 10."

There would be no measurable increase in the atmospheric levels if plants were used to clean every site in the US over the next 20 years'

plants in metal-contaminated media, Meagher's team is producing plants that extract the mercury from the soil, break down the poison biochemically and release it into the atmosphere in a non-toxic form and lower concentrations. "There would be no measurable increase in the atmospheric levels if plants were used to clean every site in the US over the next 20 years," he says.

The Meagher team has succeeded in getting a microbial gene known as merA to work in a laboratory plant, *Arabidopsis thaliana*, a member of the cabbage family. The 12m tall plant was chosen because six or seven generations can be grown, tested and analysed in a year.

"The results were astounding - far better than we expected," Meagher says. "The amount of

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It will certainly be on our shopping list for future initiatives." — Lyndon Thomas, Executive Director, Direct Line.

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"TSB has enjoyed a long and successful relationship with Scotland, and is going from strength to strength with

Glasgow's help. Indeed, the Company is now well en route to achieving its aim of being the largest telebanking company in Europe." — Peter Christensen, TSB Telebanking.

If you would like to receive case studies of well-known companies which have already benefited by being in Glasgow, or investigate how your company performance might be raised, please contact Stephen Running at the Glasgow Development Agency on 0141 204 1111.

GLASGOW

Inflation figures hit US Treasuries

By Lisa Branstetter in New York and Samer Iskandar in London

The release of unexpectedly strong figures on inflation for July sent US Treasuries lower in early trading yesterday, although prices remained well within the range they have held since the emergence of weak economic figures earlier this month.

Economists had forecast advances of 0.2 per cent overall and 0.1 per cent at the core level. A 0.1 per cent increase in retail sales last month was also negative for the market. Economists had predicted a modest drop.

Mr John Spinello, a government securities strategist at Merrill Lynch, attributed yesterday's activity to a modest loss of confidence but said that he did not see any panic.

GOVERNMENT BONDS

"I think the market reached valuation levels that required more positive news to bring in more buying and it didn't get that," he said.

European bond markets, which had opened on a positive note, lost most of their gains in the wake of weaker US Treasuries. After falling by more than 0.5 from the day's high of 98.02, Liffe's September bond future recovered slightly in late trading to close at 97.86, up 0.10 from Monday.

French interest rates remained under pressure from a weak franc, which approached the FF243 barrier against the D-Mark despite intervention from the Banque de France on the foreign exchange market.

The Italian and Spanish markets closed barely changed, slightly underperforming bonds. Their 10-year yield spreads over the German market widened by 2 basis points to 326 and 267 points respectively. Market uncertainty and the weakness of the peseta prevented the Bank of Spain from easing its repo rate, currently at 7% per cent.

Dollar benchmark issue from BGB

By Richard Lapper

An inaugural dollar benchmark issue by a German investment bank formed only two days ago, a Turkish D-Mark denominated deal sold.

BGB, which raised the funds under a \$5bn euro medium-term note (EMTN) programme, swapped the proceeds into floating-rate dollars to generate funding at a sub-Libor rate.

New international bond issues

Table with columns: Issuer, Amount, Coupon, Price, Maturity, Fees, Spread, Book-runner. Includes entries for US Dollars, D-Mark, Swiss Francs, Australian Dollars.

A DM500m issue by the Republic of Turkey, its second D-Mark issue of the year, will be sold largely to retail investors. Launched at a spread of 304 basis points the bonds narrowed to 290 basis over the equivalent German government bond by late afternoon.

Hambros said the five-year sector was becoming more popular than shorter-dated paper, following recent reductions in interest rates in Australia, the rally in international bond markets and steepening in the Australian yield curve.

INTERNATIONAL BONDS

European retail investors were the highlights of issuance in the euro markets. Bank Gesellschaft Berlin raised \$500m through its Dublin financing vehicle BGB Finance Ireland, in a five-year issue jointly led by Morgan Stanley and UBS.

Dealers said yesterday's issue had been bought by institutional and retail investors in both Europe and Asia. European institutional investors, which had been late to spot the rally in the Treasury market saw the extra yield offered by the BGB bonds as a compensation.

issued in January has contracted since its launch and was yesterday quoted at 265 basis points over.

News earlier this week that Mexico is planning a DM1bn issue has also highlighted the interest of German retail investors in higher-yielding paper.

Retail investors in Europe and Asia are also being targeted by Hambros, which brought a \$400m issue for Australia's Industrial Development Corporation following one of the same size and maturity by Bayerische Wertbank last week.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

Table with columns: Country, Coupon, Price, Yield, etc. Lists prices for Australia, Austria, Belgium, Canada, Denmark, France, Germany, Ireland, Italy, Japan, Netherlands, Portugal, Spain, Sweden, UK Gilts, US Treasury.

BUND FUTURES OPTIONS (LFFE) DM250,000 points of 100%

Table with columns: Strike, Price, Call, Put, etc. Shows data for Bund futures options.

FT-ACTUARIES FIXED INTEREST INDICES

Table with columns: Index, Price, Yield, etc. Lists various fixed interest indices.

FT/ISMA INTERNATIONAL BOND SERVICE

Table with columns: Issued, Bid, Offer, etc. Lists international bond service data.

US INTEREST RATES

Table with columns: Rate, Yield, etc. Shows US interest rates for Treasury bills and bonds.

UK GILTS PRICES

Table with columns: Issue, Price, Yield, etc. Shows UK gilt prices.

OTHER FIXED INTEREST

Table with columns: Issue, Price, Yield, etc. Shows other fixed interest rates.

DEUTSCHE MARK STRAIGHTS

Table with columns: Issue, Price, Yield, etc. Shows Deutsche Mark straight bonds.

CONVERTIBLE BONDS

Table with columns: Issue, Price, Yield, etc. Shows convertible bonds.

FRANCE

Table with columns: Issue, Price, Yield, etc. Shows French bond data.

GERMANY

Table with columns: Issue, Price, Yield, etc. Shows German bond data.

ITALY

Table with columns: Issue, Price, Yield, etc. Shows Italian bond data.

NETIONAL SPANISH BOND FUTURES (MEFF)

Table with columns: Issue, Price, Yield, etc. Shows Spanish bond futures.

NETIONAL ITALIAN GOVT. BOND (BIT) FUTURES

Table with columns: Issue, Price, Yield, etc. Shows Italian government bond futures.

NETIONAL FRENCH BOND FUTURES (MATIF) FF500,000

Table with columns: Issue, Price, Yield, etc. Shows French bond futures.

NETIONAL GERMAN BOND FUTURES (LFFE) DM250,000 100% of 100%

Table with columns: Issue, Price, Yield, etc. Shows German bond futures.

NETIONAL UK GILT FUTURES (LFFE) £50,000 2% of 100%

Table with columns: Issue, Price, Yield, etc. Shows UK gilt futures.

NETIONAL UK GILT FUTURES (LFFE) £50,000 4% of 100%

Table with columns: Issue, Price, Yield, etc. Shows UK gilt futures.

NETIONAL UK GILT FUTURES (LFFE) £50,000 5% of 100%

Table with columns: Issue, Price, Yield, etc. Shows UK gilt futures.

NETIONAL UK GILT FUTURES (LFFE) £50,000 6% of 100%

Table with columns: Issue, Price, Yield, etc. Shows UK gilt futures.

NETIONAL UK GILT FUTURES (LFFE) £50,000 7% of 100%

Table with columns: Issue, Price, Yield, etc. Shows UK gilt futures.

NETIONAL UK GILT FUTURES (LFFE) £50,000 8% of 100%

Table with columns: Issue, Price, Yield, etc. Shows UK gilt futures.

NETIONAL UK GILT FUTURES (LFFE) £50,000 9% of 100%

Table with columns: Issue, Price, Yield, etc. Shows UK gilt futures.

NETIONAL UK GILT FUTURES (LFFE) £50,000 10% of 100%

Table with columns: Issue, Price, Yield, etc. Shows UK gilt futures.

NETIONAL UK GILT FUTURES (LFFE) £50,000 11% of 100%

Table with columns: Issue, Price, Yield, etc. Shows UK gilt futures.

NETIONAL UK GILT FUTURES (LFFE) £50,000 12% of 100%

Table with columns: Issue, Price, Yield, etc. Shows UK gilt futures.

NETIONAL UK GILT FUTURES (LFFE) £50,000 13% of 100%

Table with columns: Issue, Price, Yield, etc. Shows UK gilt futures.

NETIONAL UK GILT FUTURES (LFFE) £50,000 14% of 100%

Table with columns: Issue, Price, Yield, etc. Shows UK gilt futures.

NETIONAL UK GILT FUTURES (LFFE) £50,000 15% of 100%

Table with columns: Issue, Price, Yield, etc. Shows UK gilt futures.

Bank move suggests date for gilt strips

By Samer Iskandar

Coupons due after June 6 next year on stripable UK government bonds will be paid gross, the Bank of England announced yesterday - leading traders to speculate that June 7 could be the starting date of the long awaited new market in gilt strips.

ABSA Bank and MOL achieve finest terms yet

By Antonia Sharpe

A \$200m one-year loan for South Africa's ABSA Bank and a \$100m two-tranche facility for MOL, Hungary's oil and gas company, are keeping the syndicated loans market ticking over during the traditionally quiet month of August.

The six-year tranche carries a margin of 85 basis points over Libor while the seven-year tranche pays 115 basis points over Libor. The loan was launched last week and bankers involved in the transaction said the response from the market so far had been positive.

SYNDICATED LOANS

Both transactions set ever finer terms for the borrowers, reflecting the continued competition among banks to lend to emerging market credits.

The margin on ABSA's loan, originally underwritten by Credit Suisse and then sub-underwritten by Bank of Tokyo/Mitsubishi, Citibank, ING Barings, Midland and NatWest, has been set at 27% basis points over Libor, plus participation fees ranging from three to five basis points.

NETIONAL UK GILT FUTURES (LFFE) £50,000 16% of 100%

Table with columns: Issue, Price, Yield, etc. Shows UK gilt futures.

NETIONAL UK GILT FUTURES (LFFE) £50,000 17% of 100%

Table with columns: Issue, Price, Yield, etc. Shows UK gilt futures.

NETIONAL UK GILT FUTURES (LFFE) £50,000 18% of 100%

Table with columns: Issue, Price, Yield, etc. Shows UK gilt futures.

NETIONAL UK GILT FUTURES (LFFE) £50,000 19% of 100%

Table with columns: Issue, Price, Yield, etc. Shows UK gilt futures.

NETIONAL UK GILT FUTURES (LFFE) £50,000 20% of 100%

Table with columns: Issue, Price, Yield, etc. Shows UK gilt futures.

Large advertisement for Franc Corp. with stylized text and graphics.

صحة من الامم

CURRENCIES AND MONEY

MARKETS REPORT

Franc concerns trouble summer markets

By Richard Adams
Continued concerns over the future of the French franc punctuated an otherwise quiet day on the markets yesterday...

In its monthly report released yesterday, the Bundesbank reported that it would continue to monitor M3 money supply to assess the scope for lower rates...

level Mr Burke said would be "a tough nut to crack". Other analysts put the franc's weakness down to a combination of technical reasons and continued uncertainty over the French government's ability to deliver a budget deficit under the Maastricht treaty's 3 per cent criteria...



WORLD INTEREST RATES

Table with columns: MONEY RATES, August 13, One month, Three months, Six months, One year, Left, Dis, Repo rate.

Table with columns: LIBOR FT London, Interbank fixing, week ago, US Dollar Cds, week ago, etc.

Table with columns: EURO CURRENCY INTEREST RATES, August 13, 7 days notice, One month, Three months, Six months, One year.

POUND SPOT FORWARD AGAINST THE DOLLAR

Table with columns: Aug 13, Closing mid-point, Change on day, Bid/offer spread, Day's mid range, One month rate, etc.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Table with columns: Aug 13, Closing mid-point, Change on day, Bid/offer spread, Day's mid range, One month rate, etc.

CROSS RATES AND DERIVATIVES

Table with columns: Exchange Cross Rates, August 13, Bid, Offer, Bid, Offer, Bid, Offer, Bid, Offer.

UK INTEREST RATES

Table with columns: London Money Rates, August 13, One month, Three months, Six months, One year.

EMU EUROPEAN CURRENCY UNIT RATES

Table with columns: August 13, Bid, Offer, Bid, Offer, Bid, Offer, Bid, Offer.

BASE LENDING RATES

Table with columns: Bank Name, Rate, Bank Name, Rate, Bank Name, Rate, Bank Name, Rate.

SWISS FRANC FUTURES (SFM) \$125,000 per SF

Table with columns: Sep, Dec, Mar, Open, Settle, Change, High, Low, Est. vol, Open Int.

STERLING FUTURES (SFM) £250,000 per £

Table with columns: Sep, Dec, Mar, Open, Settle, Change, High, Low, Est. vol, Open Int.

THREE MONTH EURO FRANK FUTURES (LIFE) DM100m points of 100%

Table with columns: Sep, Dec, Mar, Open, Settle, Change, High, Low, Est. vol, Open Int.

THREE MONTH EURO DOLLAR FUTURES (LIFE) \$100m points of 100%

Table with columns: Sep, Dec, Mar, Open, Settle, Change, High, Low, Est. vol, Open Int.

THREE MONTH EURO SWISS FRANC FUTURES (LIFE) SF100m points of 100%

Table with columns: Sep, Dec, Mar, Open, Settle, Change, High, Low, Est. vol, Open Int.

THREE MONTH EURO DOLLAR FUTURES (LIFE) \$100m points of 100%

Table with columns: Sep, Dec, Mar, Open, Settle, Change, High, Low, Est. vol, Open Int.

THREE MONTH EURO SWISS FRANC FUTURES (LIFE) SF100m points of 100%

Table with columns: Sep, Dec, Mar, Open, Settle, Change, High, Low, Est. vol, Open Int.

THREE MONTH EURO DOLLAR FUTURES (LIFE) \$100m points of 100%

Table with columns: Sep, Dec, Mar, Open, Settle, Change, High, Low, Est. vol, Open Int.

FUTURES & OPTIONS

Berkley Futures Limited advertisement with contact information and services.

Market-Eye

Market-Eye advertisement for futures and options trading.

WANT TO KNOW A SECRET?

Advertisement for L.D.S. Gann Seminar.

FUTURES - TAX FREE

IG Index Financial advertisement.

OFFSHORE COMPANIES

Advertisement for offshore companies.

Petroleum Argus Oil Market Guides

Petroleum Argus advertisement.

TAKE PRECISE AIM

Les Echos advertisement.

Large vertical advertisement on the right side of the page, including 'Fast Fills. Low Commissions.' and 'LIND-WALDOCK & COMPANY'.

COMMODITIES AND AGRICULTURE

MARKET REPORT

Copper prices bounce after finding support

COPPER prices bounced on the London Metal Exchange yesterday after an early fall revealed underlying support. The three months delivery position at one stage fell below \$1,920 a tonne, but the selling proved to be half-hearted, and by the end of after hours "kerb" trading the price was back at \$1,927, a \$4 advance from Monday. Traders suggested that concern about possible cuts

Table with columns: Metal, Price change, Price. Includes Aluminum, Copper, Lead, Nickel, Zinc.

in price-sensitive scrap recycling was likely to discourage any concerted effort to take the copper price

below \$1,900 a tonne. ALUMINIUM prices again met good support on dips towards \$1,500 a tonne in the three months price, which fostered an impressive rally to the day's highs. NICKEL prices staged a partial recovery during the latter part of the afternoon, with the three months price deemed overall below \$7,100 a tonne. Compiled from Reuters

India has bumper jute crop

By Kunal Bose in Calcutta

India is harvesting a bumper jute crop. After four lean years, the world's biggest grower of the hard fibre has enjoyed normal to excess rainfall in all producing centres; and with the farmers planting nearly 25 per cent more land to the crop India appears set to produce over 10m bales (180kg each) of raw jute in the 1996-97 (July-June) season, up from 7.8m last year.

"The bumper crop has come as a big relief to the beleaguered jute mill industry, which in the final quarter of last season had to cut back production sharply... closing down some factories," said Mr S.K. Bhattacharya, secretary general of the Indian Jute Mills Association. "The industry suffered huge losses as it was not possible to pass on to the consumers of jute goods the additional cost arising from the record raw jute prices."

As arrivals from farms have grown since last month prices of all grades of jute have been falling. The spot price of TD-4, the Indian benchmark grade, is down from over Rs1,700 (US\$1.55) a quintal (100kg) to Rs1,400. "The daily arrival of fibre in the village market is now

around 45,000 quintals," said Mr Shankar Ladia, spokesman for the Jute Balers' Association. "This will rise to over 125,000 quintals by the middle of September, which marks the beginning of the busy marketing period for jute. Therefore, the trade is reconciled to the fact that the jute prices will fall even further."

"The extent of the fall so far has taken the mills by surprise, however. This is because the growers, while enjoying very high returns in the past two years, have considerably improved their holding capacity."

"Farmers in the early jute growing areas like Assam and north Bengal have no doubt capitulated," said Mr Ladia. "The JBA has reports that in some places the farmers even resorted to premature harvesting to take advantage of the high prices. When the crop is so big, everyone turns into a keen seller."

Besides the certainty of a large crop, reports that the mills will be seeking government permission to work 18 shifts a week, compared with the normal 21, has unnerved the growers. Mr Bhattacharya said that, because of the abnormally high fibre prices last year, "the industry lost market for jute

goods both here and abroad to synthetic substitute products. Moreover, the prevailing prices of jute goods are not allowing the mills to recover the cost of production."

"The mills are happy with the quality of jute received so far. But for the retting [soaking] of a crop of over 10m bales, the canals and ponds must be full till the end of September," said an official at the jute directorate.

"Last year, the production of export quality yarn and fine hessian was affected due to the shortage of high grades of jute. We do not visualise any such problem in the current season."

In spite of the damage caused by floods last month, Bangladesh is also having a bumper jute crop. While the government has fixed a target of 4.7m bales for 1996-97, the trade thinks that the total will be at least 5m, compared with less than 4m last year.

Bangladesh, which hopes to export 1.5m bales of jute in 1996-97, is expecting strong demand from Pakistan, Thailand, Egypt and Ivory Coast. India, which bought 174,697 bales of Bangladesh jute last season, may not import anything in 1996-97.

NZ wool sector hopes for demand growth

Growers are being urged to hold out for better prices, writes Terry Hall

The New Zealand wool selling season has begun in a lacklustre fashion and the trade is advising farmers to hold on to their wool for a few months, awaiting an expected upturn in prices.

A variety of factors - including high levels of wool remaining unsold from last season - are expected to weigh down prices at auctions over the next three months or so. As a result both the Wool Board (now known as Wools of New Zealand) and the Wool Exporters Council are agreed that this should lead to prices remaining around present levels. Prices have fallen marginally at the first two sales of the season.

This is provoking considerable uncertainty in the industry following the unexpectedly poor sales and downward trend in prices last season. Wool exporters are waiting anxiously for signs that business will pick up after the northern hemisphere holiday season ends next month and mills get back to full production. Wools of New Zealand is pinning its hopes for a price revival on predictions that the expected recovery in economic growth in Germany, Australia and Japan will be translated to a boost for textiles generally.

There are some positive factors for crossbred wool,



Woolgrowers are anxiously watching for signs of economic recovery in Europe and Japan

the bulk of the New Zealand clip, which was developed for use in carpets. One is that nylon fibre producers in the US raised their prices up to 15 per cent last month in response to strong demand for floor coverings in the US, where 60 per cent of carpets are made from the fibre.

The New Zealand trade is watching the price of nylon closely as it could herald a revival in prices for woolen carpets as well. While these have only a 2 per cent market share in America, they remain much more popular in Europe - hence the close watch being kept for signs of

an economic revival there. Wools of New Zealand is expecting a gradual improvement in prices as the season progresses. It says that though world wool production is forecast to fall slightly, total supply could be somewhat higher because of high stockpile levels.

Many New Zealand farmers have held back wool for future sale, but the amount is unknown. In addition New Zealand wool brokers are holding nearly 4 per cent of the country's annual production in store. This is not a

formidable amount - it could be cleared in two sales - but its continuing presence is dampening sentiment.

Demand from China is expected to remain steady, says Wools of New Zealand, although there is concern about what could happen if the Chinese authorities imposed a tight money policy to keep inflation below their target of 9 per cent. The big question hanging over Chinese buying relates to exports from the former Soviet Union. Over the past two years that area has become a major supplier of

wool to China - apparently because its inhabitants have been eating most of their sheep. In recent months FSU exports have fallen dramatically - raising the prospect that China will have to increase its buying from elsewhere, especially of fine wool.

The best news for sheep farmers this season, however, would be confirmation of the expected recovery in the European and Japanese economies and a fall in the value of the New Zealand dollar after the election.

Wools of New Zealand is forecasting that prices will rise for fine wools, especially for superfines, which will be in short supply. Last season's average price for fine wool was NZ\$7.87 (US\$5.40) a kilogram, and the board says prices could average between NZ\$7 and NZ\$9 when the season ends next June. It is less optimistic about medium micron wools. Prices for these types fell over the past six months and this trend could continue, it says. Last season's average price for medium wools was NZ\$5.51 a kilogram, and the board believes this season's average could be anywhere between NZ\$4.75 and NZ\$5.25. It expects a slight improvement in crossbred prices, the bulk of the New Zealand clip from last season's average of NZ\$4.56 to about NZ\$5.

Australian producers seek flexible stockpile sales

By Nikki Tait in Sydney

Despite repeated statements by Australia's federal government that it does not want to change the existing legislated timetable for wool stockpile sales, the wool growers' body has called for a more flexible wool release scheme. At a meeting in Canberra this week, the Wool Council of Australia endorsed a proposal that a minimum of 90,000 bales be sold each quarter, with no maximum specified. The industry body also voted to make January 1, 1997, the target date for starting its proposed programme, and said that it wanted to aim to eradicate the stockpile by end-December, 2000.

Wool when prices were relatively high, and meant that reduced supplies would be fed into the market when demand was weak. At present, Wool International - the body charged with disposing of the stockpile - operates a "fixed release" scheme, which requires it to sell at least 100,000 bales a quarter. This legislated scheme is due to run until mid-1997. Over the past year, many

producers have been critical of this set-up - claiming that the WI sales were simply compounding the downward slide in wool prices.

However, Mr John Anderson, Australia's new federal resources minister, has said on several occasions that his preference is to stay with the existing legislated timetable and that the government's main focus will be on re-establishing Australia's credibility internationally.

Nevertheless, the minister has said that he will be prepared to listen to "well-reasoned arguments" and conceded that it would be possible to amend legislation in the coming parliamentary session.

A ministerial "round table", made up of all interested parties, is scheduled to consider the issue on August 30. Australia accounts for about 30 per cent of world wool production.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

Table with columns: Metal, Price change, Price. Includes Aluminum, Copper, Lead, Nickel, Zinc.

Precious Metals continued

GOLD COMEX (100 Troy oz; \$/troy oz)

Table with columns: Date, Price change, Price. Includes Gold, Silver, Platinum, Palladium.

GRAINS AND OIL SEEDS

WHEAT LCE (\$/cwt)

Table with columns: Date, Price change, Price. Includes Wheat, Soybean, Barley, Maize.

SOFTS

COFFEE LCE (\$/troy lb)

Table with columns: Date, Price change, Price. Includes Coffee, Cocoa, Sugar.

MEAT AND LIVESTOCK

LIVE CATTLE CME (40,000 lbs; cents/lb)

Table with columns: Date, Price change, Price. Includes Cattle, Hogs, Pigs, Sheep.

JOTTER PAD

Table with columns: Commodity, Price change, Price. Includes various metals and grains.

PRECIOUS METALS

LONDON BULLION MARKET

Table with columns: Metal, Price change, Price. Includes Gold, Silver, Platinum, Palladium.

ENERGY

CRUDE OIL NYMEX (1,000 barrels; \$/barrel)

Table with columns: Date, Price change, Price. Includes Crude Oil, Heating Oil, Natural Gas.

FUTURES DATA

All futures data supplied by CME.

Table with columns: Commodity, Price change, Price. Includes various futures contracts.

INDICES

REUTERS (Base: 100/1=100)

Table with columns: Index, Price change, Price. Includes various market indices.

CROSSWORD

No.9,146 Set by VIXEN

Crossword puzzle grid with clues for Across and Down.

Solution to the crossword puzzle, showing the filled-in grid.

Arabic text at the bottom of the page, likely a signature or publication information.

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 678 4378 for more details.

Main table containing financial data for various funds and insurance products, including columns for fund names, prices, and performance metrics.

Handwritten Arabic text: 'مركز الاستثمار'

OFFSHORE

FT Managed Funds Service

Offshore Insurances and Other Funds

Main table listing various fund categories such as Global, UK, and International funds, with columns for fund name, price, and performance metrics.

صندوق من الامل

HACKETT LONDON advertisement for 'ESSENTIAL BRITISH KIT' featuring a 'Sale' and listing various British products like tea, jam, and biscuits.

OTHER OFFSHORE FUNDS

Table listing other offshore funds, including their names, prices, and performance data.

MANAGED FUNDS NOTES: Detailed notes regarding fund management, including information on fund objectives, risks, and performance metrics.

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

Table listing companies in the Alcoholic Beverages sector with columns for company name, price, and change.

BANKS, MERCHANT

Table listing companies in the Banks, Merchant sector.

BANKS, RETAIL

Table listing companies in the Banks, Retail sector.

BREWERIES, PUBS & REST

Table listing companies in the Breweries, Pubs & Rest sector.

BUILDING & CONSTRUCTION

Table listing companies in the Building & Construction sector.

CHEMICALS

Table listing companies in the Chemicals sector.

CHEMICALS - Cont.

Continuation of Chemicals sector table.

DISTRIBUTORS

Table listing companies in the Distributors sector.

DIVERSIFIED INDUSTRIALS

Table listing companies in the Diversified Industrials sector.

ELECTRICITY

Table listing companies in the Electricity sector.

ENGINEERING & ELECTRICAL EQPT

Table listing companies in the Engineering & Electrical Eqpt sector.

ENGINEERING, VEHICLES

Table listing companies in the Engineering, Vehicles sector.

EXTRACTIVE INDUSTRIES

Table listing companies in the Extractive Industries sector.

HOUSEHOLD GOODS

Table listing companies in the Household Goods sector.

ELECTRONIC & ELECTRICAL EQPT - Cont.

Continuation of Electronic & Electrical Eqpt sector table.

ENGINEERING

Table listing companies in the Engineering sector.

EXTRACTIVE INDUSTRIES - Cont.

Continuation of Extractive Industries sector table.

FOOD PRODUCERS

Table listing companies in the Food Producers sector.

HOUSEHOLD GOODS - Cont.

Continuation of Household Goods sector table.

INSURANCE

Table listing companies in the Insurance sector.

INVESTMENT TRUSTS

Table listing companies in the Investment Trusts sector.

EXTRACTIVE INDUSTRIES - Cont.

Continuation of Extractive Industries sector table.

ENGINEERING

Table listing companies in the Engineering sector.

EXTRACTIVE INDUSTRIES - Cont.

Continuation of Extractive Industries sector table.

FOOD PRODUCERS

Table listing companies in the Food Producers sector.

HOUSEHOLD GOODS - Cont.

Continuation of Household Goods sector table.

INSURANCE

Table listing companies in the Insurance sector.

INVESTMENT TRUSTS

Table listing companies in the Investment Trusts sector.

HOUSEHOLD GOODS - Cont.

Continuation of Household Goods sector table.

INSURANCE

Table listing companies in the Insurance sector.

INVESTMENT TRUSTS

Table listing companies in the Investment Trusts sector.

INVESTMENT TRUSTS - Cont.

Continuation of Investment Trusts sector table.

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INVESTMENT TRUSTS - Cont.

Continuation of Investment Trusts sector table.

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BUILDING MATS. & MERCHANTS

Table listing companies in the Building Mats. & Merchants sector.

CHEMICALS

Table listing companies in the Chemicals sector.

ELECTRONIC & ELECTRICAL EQPT

Table listing companies in the Electronic & Electrical Eqpt sector.

ENGINEERING, VEHICLES

Table listing companies in the Engineering, Vehicles sector.

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ENGINEERING, VEHICLES

Table listing companies in the Engineering, Vehicles sector.

EXTRACTIVE INDUSTRIES

Table listing companies in the Extractive Industries sector.

HOUSEHOLD GOODS

Table listing companies in the Household Goods sector.



ENGINEERING - Cont.

Continuation of Engineering sector table.

ENGINEERING, VEHICLES

Table listing companies in the Engineering, Vehicles sector.

EXTRACTIVE INDUSTRIES

Table listing companies in the Extractive Industries sector.

HOUSEHOLD GOODS

Table listing companies in the Household Goods sector.

FOOD PRODUCERS - Cont.

Continuation of Food Producers sector table.

GAS DISTRIBUTION

Table listing companies in the Gas Distribution sector.

HEALTH CARE

Table listing companies in the Health Care sector.

HOUSEHOLD GOODS

Table listing companies in the Household Goods sector.

INSURANCE

Table listing companies in the Insurance sector.

INVESTMENT TRUSTS

Table listing companies in the Investment Trusts sector.

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INVESTMENT TRUSTS - Cont.

Continuation of Investment Trusts sector table.

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سكنا من الامل

صحة من الاجل

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

Table listing investment trusts with columns for name, price, and change.

OTHER INVESTMENT TRUSTS

Table listing other investment trusts with columns for name, price, and change.

INVESTMENT COMPANIES

Table listing investment companies with columns for name, price, and change.

LEISURE & HOTELS

Table listing leisure and hotels companies with columns for name, price, and change.

LEISURE & HOTELS - Cont.

Table listing leisure and hotels companies (continued).

LIFE ASSURANCE

Table listing life assurance companies with columns for name, price, and change.

MEDIA

Table listing media companies with columns for name, price, and change.

OIL EXPLORATION & PRODUCTION

Table listing oil exploration and production companies with columns for name, price, and change.

OIL, INTEGRATED

Table listing integrated oil companies with columns for name, price, and change.

OTHER FINANCIAL

Table listing other financial companies with columns for name, price, and change.

PAPER, PACKAGING & PRINTING

Table listing paper, packaging and printing companies with columns for name, price, and change.

PHARMACEUTICALS

Table listing pharmaceutical companies with columns for name, price, and change.

PROPERTY

Table listing property companies with columns for name, price, and change.

PROPERTY - Cont.

Table listing property companies (continued).

PROPERTY - Cont.

Table listing property companies (continued).

RETAILERS, FOOD

Table listing food retailers with columns for name, price, and change.

RETAILERS, GENERAL

Table listing general retailers with columns for name, price, and change.

SUPPORT SERVICES

Table listing support services companies with columns for name, price, and change.

TELECOMMUNICATIONS

Table listing telecommunications companies with columns for name, price, and change.

TEXTILES & APPAREL

Table listing textiles and apparel companies with columns for name, price, and change.

TOBACCO

Table listing tobacco companies with columns for name, price, and change.

TRANSPORT

Table listing transport companies with columns for name, price, and change.

WATER

Table listing water companies with columns for name, price, and change.

AM - Cont.

Table listing American companies with columns for name, price, and change.

AMERICANS

Table listing American companies (continued).

CANADIANS

Table listing Canadian companies with columns for name, price, and change.

SOUTH AFRICANS

Table listing South African companies with columns for name, price, and change.

Rockwell's advanced technology is helping railroads improve performance and promote safety.



GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Data, a member of the Financial Times Group. Company data are based on those used for the FT-CE Atlantic Share Index.

Using the prices on share is more than double than the price on the basis of the last day of trading over a rolling 28 week period. Where shares are delisted, the price is indicated after the name.

Market capitalisation shown is calculated separately for each line of stock price. Shares are in circulation on the basis of the latest available figures. Dividends are based on the latest annual reports and accounts and, where possible, an update on interim figures.

FT Free Annual Reports Service: You can obtain the current annual/interim report of any company associated with FT. Please quote the code FT8844. Ring 0181 770 0770 (open 24 hours including weekends) or Fax 0181 770 3822. Reports will be sent the next working day, subject to availability.

LONDON STOCK EXCHANGE

MARKET REPORT

Weaker Wall Street fails to restrain London

By Philip Coggen, Markets Editor

The London market resumed its winning ways yesterday, after two sessions of modest losses, and the FT-SE 100 index closed within 1 per cent of its all-time high.

close of London trading, after higher-than-expected figures for consumer prices and retail sales depressed Treasury bonds and revived fears that the Federal Reserve might raise interest rates.

Mr Robert Buckland, UK equity strategist at HSBC James Capel said: "We're starting to catch up some of the daylight between ourselves and Wall Street. The mere fact that we've been left behind in the first part of the year allows us to outperform."

However, Mr Buckland, whose end-year forecast for Footsie is 4,000, warned that, with the market at current levels, there is less for investors to go for than there was just two or three weeks ago.

Throughout the day, although it traded within a narrow range, its worst level of the day, 3,511.8, and its best, 3,826.4, occurred within 70 minutes of each other. The FT-SE Mid 250 index rose 14.2 to 4,346.1.

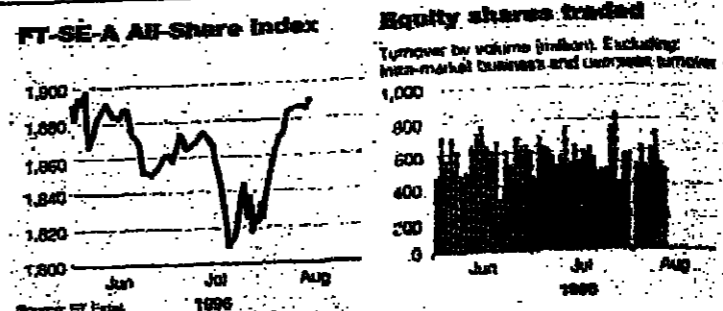


Table with 2 columns: Index and Figures. Includes FT-SE 100, FT-SE Mid 250, FT-SE All-Share, and various sector indices.

Offer pricing hits Grid

By Peter John, Jeffrey Brown and John Duxbury

Market pessimists had prepared themselves for disappointing regulatory proposals for National Grid.

numbers for July put a UK rate cut back on some building analysts' agendas. "It gives the chancellor a highly visible green light", said one broker.

At the same time, the latest feedback from the building trade suggests that housing starts and prices are all heading upwards. July starts are said to have increased by 6 per cent.

profits for the year to September 1997 was lowered to between £460m and £470m from £505m previously.

Carlsberg-Tetley sale undermined sentiment. Allied is expected to shortly announce the sale of its 50 per cent stake in Carlsberg-Tetley to 23ss.

BOC deflated

By Peter John, Jeffrey Brown and John Duxbury

Gases and healthcare group BOC suffered a sharp slide that sent its share price down to a 10-month low.

Gas and healthcare group BOC suffered a sharp slide that sent its share price down to a 10-month low.

Third quarter profits were up 10 per cent and turnover was 5 per cent higher than the same quarter last year.

Guinness gained 6 to 479p and Grand Metropolitan added 2 to 458p. Out of step with the sector was Allied Domecq, where stories of last minute hitches to the

Guinness gained 6 to 479p and Grand Metropolitan added 2 to 458p. Out of step with the sector was Allied Domecq, where stories of last minute hitches to the

Builders lively

By Peter John, Jeffrey Brown and John Duxbury

Housebuilders kicked into action, after a period of sideways movement, as hopes for a cut in interest rates combined with reports that demand and prices were improving.

Housebuilders kicked into action, after a period of sideways movement, as hopes for a cut in interest rates combined with reports that demand and prices were improving.

Monday's producer prices

Monday's producer prices

Monday's producer prices

FUTURES AND OPTIONS

Table with 2 columns: FT-SE 100 INDEX FUTURES (LIFFE) and FT-SE 100 INDEX OPTION (LIFFE).

Table with 2 columns: EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) and EURO STYLE FT-SE 100 INDEX OPTION (LIFFE).

LONDON RECENT ISSUES: EQUITIES

Table with 4 columns: Issue name, Price, Div, and P/E ratio. Lists various companies like Anglo, BOC, and Guinness.

TRADING VOLUME

Table with 2 columns: Major Stocks Yesterday and Trading Volume. Lists companies like Anglo, BOC, and Guinness.

FT GOLD MINES INDEX

Table with 4 columns: Gold Mines Index, Price, Div, and P/E ratio. Lists various gold mining companies.

FT-SE Actuaries Share Indices

Table with 4 columns: Day's change, Aug 12, Aug 8, and Aug 7. Lists various actuarial companies.

FT-SE Actuaries All-Share

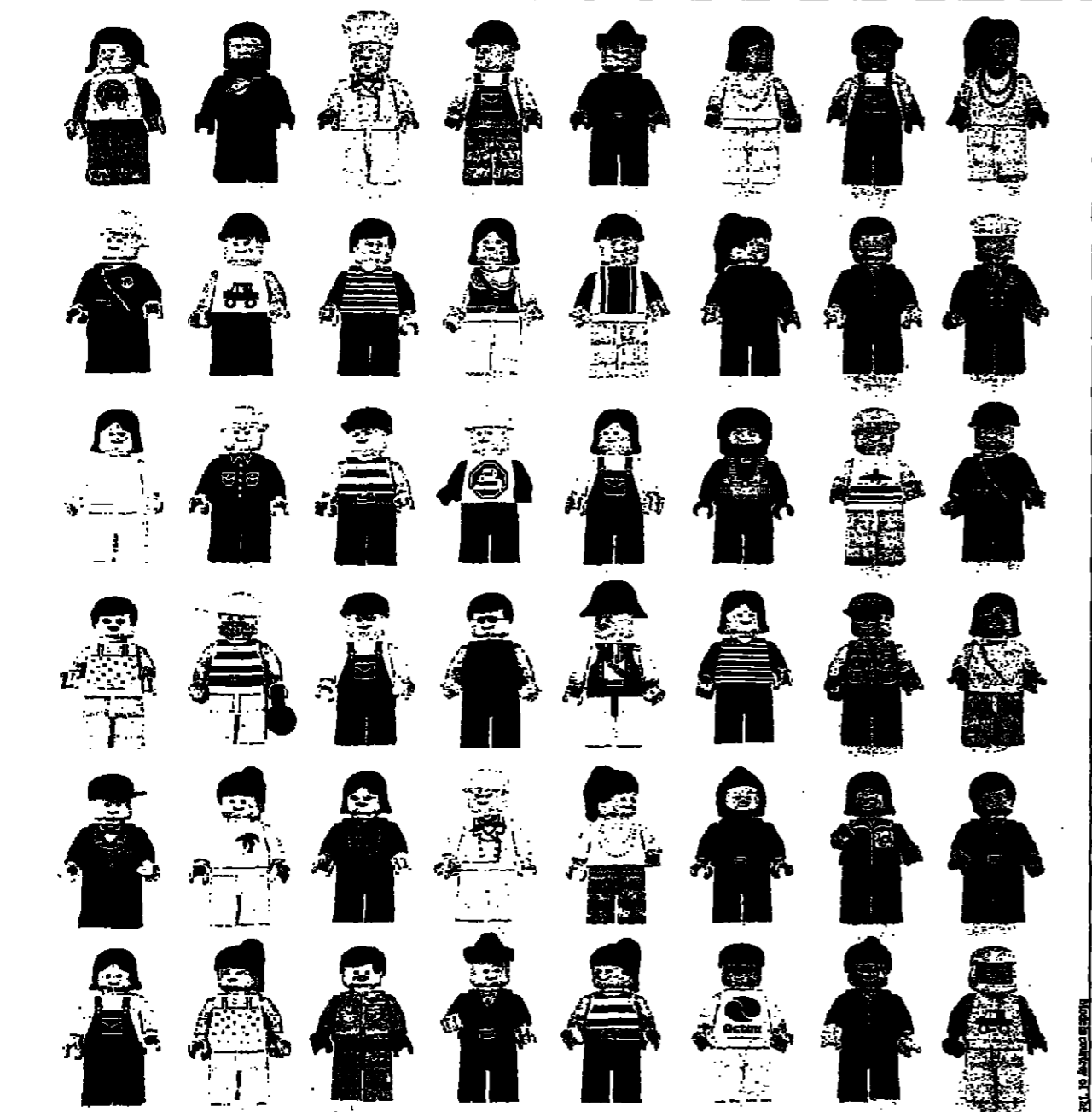
Table with 4 columns: Day's change, Aug 12, Aug 8, and Aug 7. Lists various actuarial companies.

Hourly movements

Table with 4 columns: Open, 10.00, 12.00, 14.00, 16.00, High/Low/Day. Lists various companies.

FT-SE Actuaries 380 Industry baskets

Table with 4 columns: Basket name, Open, 10.00, 12.00, 14.00, 16.00, Close, Previous, Change. Lists various industry baskets.



SPOT THE REFUGEE

There he is. Fourth row, second from the left. The one with the moustache. Obvious really.

Everything they once had has been left behind. Home, family, possessions, all gone. They have nothing.

We're not even asking for money (though every cent certainly helps). But we are asking that you keep an open mind. And a smile of welcome.



UNHCR is a strictly humanitarian organization funded only by voluntary contributions. Currently it is responsible for more than 19 million refugees around the world.

UNHCR Public Information, P.O. Box 2500, 1211 Geneva 2, Switzerland.

سكنى من الامل

سوق من الامل

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

Table with columns for country, stock name, price, and change. Includes entries for Austria, Belgium, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, and Switzerland.

ASIA

Table with columns for country, stock name, price, and change. Includes entries for Hong Kong, India, Indonesia, Japan, Korea, Malaysia, Singapore, Taiwan, Thailand, and the Philippines.

AMERICA

Table with columns for country, stock name, price, and change. Includes entries for Brazil, Canada, Chile, Colombia, Mexico, and Peru.

AUSTRALIA

Table with columns for country, stock name, price, and change. Includes entries for Australia and New Zealand.

AFRICA

Table with columns for country, stock name, price, and change. Includes entries for South Africa and Zimbabwe.

EUROPE (continued)

Table with columns for country, stock name, price, and change. Includes entries for Austria, Belgium, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, and Switzerland.

ASIA (continued)

Table with columns for country, stock name, price, and change. Includes entries for Hong Kong, India, Indonesia, Japan, Korea, Malaysia, Singapore, Taiwan, Thailand, and the Philippines.

AMERICA (continued)

Table with columns for country, stock name, price, and change. Includes entries for Brazil, Canada, Chile, Colombia, Mexico, and Peru.

AUSTRALIA (continued)

Table with columns for country, stock name, price, and change. Includes entries for Australia and New Zealand.

AFRICA (continued)

Table with columns for country, stock name, price, and change. Includes entries for South Africa and Zimbabwe.

Advertisement for Peregrine, featuring a bird in flight and the text: 'Peregrine, the specialists in Asian corporate finance and the world's #1 bookrunner of Asian equity issues in 1996.' Includes contact information for Hong Kong, New York, and London offices.

INDICES

Table showing various stock indices with columns for index name, current value, and change. Includes indices for Europe, Asia, America, and Africa.

US INDICES

Table showing US stock indices with columns for index name, current value, and change. Includes Dow Jones, S&P 500, and other major indices.

ASIA

Table showing Asian stock indices with columns for index name, current value, and change. Includes indices for Hong Kong, India, Indonesia, Japan, Korea, Malaysia, Singapore, Taiwan, Thailand, and the Philippines.

AMERICA

Table showing American stock indices with columns for index name, current value, and change. Includes indices for Brazil, Canada, Chile, Colombia, Mexico, and Peru.

AUSTRALIA

Table showing Australian and New Zealand stock indices with columns for index name, current value, and change.

AFRICA

Table showing African stock indices with columns for index name, current value, and change. Includes indices for South Africa and Zimbabwe.

INDEX FUTURES

Table showing index futures contracts with columns for contract name, price, and change. Includes contracts for Europe, Asia, and America.

US INDICES (continued)

Table showing US stock indices with columns for index name, current value, and change. Includes Dow Jones, S&P 500, and other major indices.

ASIA

Table showing Asian stock indices with columns for index name, current value, and change. Includes indices for Hong Kong, India, Indonesia, Japan, Korea, Malaysia, Singapore, Taiwan, Thailand, and the Philippines.

AMERICA

Table showing American stock indices with columns for index name, current value, and change. Includes indices for Brazil, Canada, Chile, Colombia, Mexico, and Peru.

AUSTRALIA

Table showing Australian and New Zealand stock indices with columns for index name, current value, and change.

AFRICA

Table showing African stock indices with columns for index name, current value, and change. Includes indices for South Africa and Zimbabwe.

STOCKS

Large table listing individual stocks from various markets, including Europe, Asia, America, and Africa. Columns include stock name, price, and change.

NEW YORK STOCK EXCHANGE PRICES

Main table of stock prices with columns for stock symbols, prices, and changes. Includes sub-sections for 'A', 'B', 'C', 'D', 'E', 'F', 'G', 'H', 'I', 'J', 'K', 'L', 'M', 'N', 'O', 'P', 'Q', 'R', 'S', 'T', 'U', 'V', 'W', 'X', 'Y', 'Z'.

BE OUR GUEST. JOLLY HOTEL DU GRAND SABLON BRUSSELS. When you stay with us in BRUSSELS, stay in touch - with your complimentary copy of the FINANCIAL TIMES.

SW logo and text: 'The only... with... competitors... Stock Exchange...'

السوق المالية

4 pm close August 13

NYSE PRICES

Table of NYSE stock prices including columns for stock name, price, change, and volume. Includes sub-sections for 'Continued from previous page', 'T', 'U', and 'V'.

NASDAQ NATIONAL MARKET

4 pm close August 13

Table of NASDAQ National Market stock prices including columns for stock name, price, change, and volume. Includes sub-sections for 'Continued from previous page', 'W', 'X', 'Y', and 'Z'.

AMEX PRICES

4 pm close August 13

Table of AMEX stock prices including columns for stock name, price, change, and volume. Includes sub-sections for 'Continued from previous page', 'A', 'B', 'C', 'D', 'E', 'F', 'G', 'H', 'I', 'J', 'K', 'L', 'M', 'N', 'O', 'P', 'Q', 'R', 'S', 'T', 'U', 'V', 'W', 'X', 'Y', 'Z'.

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